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ABSTRACT

The financing of vocational education and training (VET) in Denmark was evaluated through consultations with various bodies, including the following: Denmark's Ministry of Labor and Ministry of Education, Danish Employer's Confederation, Confederation of Danish Industry, Danish Confederation of Trade Unions, Association of County Councils, and National Organisation of Local Authorities. Although initial vocational training (IVT) was financed primarily by public sources through state grants, private and public employers also contributed to its overall financing through Denmark's Collective Employer Fund, which provides subsidies to companies to compensate them for employing students. The role of publicly financed continuing vocational training (CVT) was increasing; however, Danish workplaces were still financing a significant part of CVT. Funding of VET for unemployed individuals was dominated by public funding from the Danish government and from the European Social fund. Spending on all forms of VET in Denmark has increased significantly in recent years; however, the Danish government recently announced that no new state activity-related subsidies (called "education taximeter") will be introduced until the existing ones have been evaluated. (Thirty-four figures/tables are included. Appended are the following: regulatory and enabling legislation, glossary, and 39 references.) (MN)

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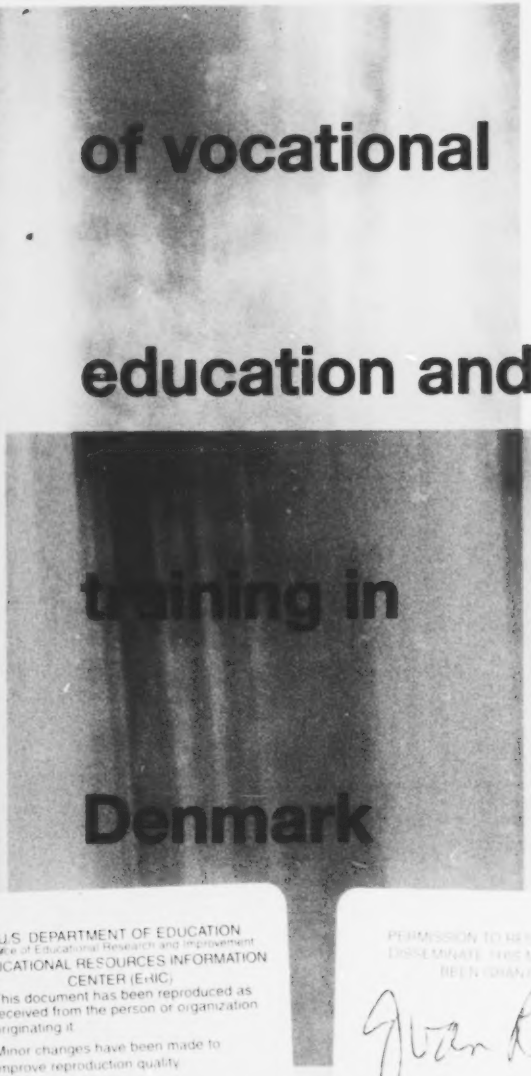
The financing of vocational education and training in Denmark



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Financing portrait

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The financing of vocational education and training in Denmark

Financing portrait

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on behalf of CEDEFOP – European Centre for the Development of Vocational Training

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The Centre was established by Regulation (EEC) No 337/75 of the Council of the European Communities, last amended by Council Regulation (EC) No 251/95 of 6 February 1995 and Council Regulation (EC) No 354/95 of 20 February 1995.

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A number of barriers to achieving even basic common parameters arose as the work developed. Among others, these included:

- The increasing overlap between the traditional training categories. In some countries the division between the different training types is not as strict as in others. This means that some artificial divisions have had to be drawn by some of the authors, for example, between academic and vocational training. While this particular overlap may be, in part, the result of a general policy aim to level parity of esteem, it creates challenges in disaggregating data to identify expenditure on the vocational element. The notion of Lifelong Learning also has implications for creating more coherent training structures which include a wider range of learning activities. It is often difficult to identify and measure expenditure data on training which takes place outside of the formal structure.
- The complexity of financing training structures in terms of the number of different funding sources and mechanisms for financing VET. For example, levels of expenditure on indirect demand-side incentive mechanisms such as tax incentives are often difficult to identify. More fundamentally, this general complexity is enhanced in those countries where there is no national structure for training, e.g. where local governments have a high level of responsibility for financing training.
- The number of recent reforms to the financing VET system blur data comparability over time within individual Member States. In addition, the newness of many of these reforms mean that there is often a lack of stringent evaluation according to efficiency, effectiveness and equity criteria.

There was no ideal way to create common criteria for the structure of this series of reports. There is a certain trade-off between attaining a common structure and reflecting the nuances of the individual national training systems. Nevertheless, this first set of portraits does serve to highlight many of the complexities involved with the financing of vocational education and training across the European Union. We hope you find the portraits informative and welcome your comments.

We would like to thank Martin Eggert Hansen and Christian Bason at PLS Consult, who prepared this portrait on the financing of vocational education and training in Denmark.

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Foreword by

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At the end of 1997, CEDEFOP launched a project to produce financing portraits of the vocational education and training (VET) systems within the individual Member States of the European Union. The portraits combine a qualitative description of the flow of funding through the VET structures, identifying the funding sources and allocation mechanisms, with quantitative data on expenditure for different training types. The reports are structured around initial vocational training, continuing vocational training and training for the unemployed. In recognition of the increasing overlap among these training types, some of the reports include an extra section on combined forms of training.

At the outset of the project, CEDEFOP asked the individual national authors to follow a uniform structure for the presentation of their financing training systems. This structure centred on the following issues with regard to initial and continuing vocational training and training for the unemployed:

- outlining the economic, political, legal and administrative background to the financing of the VET system;
- defining the different types of training according to the national context;
- identifying the funding sources (e.g. European Union, central government, regional/local government, employers, individuals, etc.);
- explaining the mechanisms for the distribution of funding;
- identifying the expenditure levels over 10 years (1986-1996 or the most recently available years);
- concluding and discussing the trends and perspectives of the financing VET system.

The authors were requested, where possible, to distinguish between private/public and direct/indirect funding sources and to identify capital and revenue funding. They were also asked to provide a breakdown of expenditure according to the different sources of funding for each training type.

While defining a common structure for each report allows for broad comparisons between the different systems and easier cross-referencing between the reports, it does not allow for detailed trans-national comparisons. It was acknowledged at the outset of this project that creating comparable reports would not be possible for a number of reasons, including:

- Training definitions: initial vocational training, continuing vocational training and training for the unemployed mean something different within individual national contexts. While creating a "standard" definition of each training type would have facilitated comparability, it would have complicated the process of gathering and presenting data. For this reason, each author was requested to use a nationally-based definition.
- Data: there are a number of general obstacles to obtaining comparable data, for example: the lack of common definitions, different national accounting procedures and the problems of identifying expenditure where funding sources are diverse and estimates are based on surveys. More specific obstacles include the difficulty of aggregating data where funding is decentralised and estimating indirect sources of expenditure.

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Preface by PLS Consult

This monograph has been prepared by PLS Consult A/S for the European Centre for the Development of Vocational Education and Training (CEDEFOP) during January-June 1998.

The scope of the financial portrait

In the Danish context, vocational education and training (VET) can be rather broadly defined as training programmes which aim to train students and employed or unemployed persons in a trade or profession. VET may take various forms:

- Initial vocational training (IVT), which is normally training under-taken post fulltime compulsory schooling age, and is typically targeted at persons aged 16-19 years with no prior vocational qualifications. However, in Denmark, older age groups may also have access to IVT types of education.
- Continuing vocational training (CVT), which targets employed or unemployed persons who are required to train or re-train in certain skills.
- Training for the unemployed, which aims to qualify unemployed persons to enter the labour market.
- Combined training programmes, which consist of a combination of two or more of the training types above.

The more exact training definitions in the Danish context are provided in the four parts dealing with the training types.

Method of research

The preparation of this portrait has primarily been carried out by desk research. This research has been combined with a range of consultative processes, which have been used in order to obtain consensus on the contents of the financial portrait among the major Danish VET actors. The bodies which have been consulted are: The Ministry of Labour, the Ministry of Education, the Danish Employer's Confederation (Dansk Arbejdsgiverforening, DA), the Confederation of Danish Industry (Dansk Industri, DI), the Danish Confederation of Trade Unions (Landsorganisationen i Danmark, LO), The Association of County Councils (Amtsrådsforeningen i Danmark), National Organisation of Local Authorities (Kommunernes Landsforening, KL), Danish representatives of CEDEFOP's Management Board, and the CEDEFOP Documentary Information Network Member in Denmark.

For in-depth information regarding the structure and content of individual VET programmes, please refer to the 1998 CEDEFOP monograph for Denmark.

Difficulties encountered in developing the portrait

In general, PLS Consult has encountered few difficulties in acquiring data regarding recent (1995, 1996) public VET spending. In relation to the interpretation of data for earlier years (1985, 1990), however, some caution is warranted. Due to several major reforms within the VET sector, many educational programmes as well as financing principles and admini-

stration have been changed. In several cases, it has been necessary to calculate estimated public VET spending prior to 1990, in order to provide more comparable figures.

In addition, it has been necessary to estimate certain figures as we lack data on the private sector market for continuing vocational training. Furthermore, due to the flexibility and openness of the Danish VET system, it has often not been possible to quantify which individual groups in fact follow which educational courses.

Finally, there are no general accounts available as to the opportunity costs in relation to private and public sector investments in human resources.

The ECU exchange rate used in the portrait is 100 ECUs = 754 DKK (June 26th 1998).

1. Background information concerning the financing arrangements for training

1.1 Political and economic background

This section focuses on the economic and political climate in Denmark and its significance for the financing of vocational education and training (VET).

1.1.1 Recent economic developments

Overall, Danish society has experienced a positive economic development during the last half of the 1990's with increased growth and a substantial decrease in unemployment. More specifically, trends have been as follows:

GDP growth

For the first time in nearly a decade, Denmark achieved a surplus on its trade balance in 1990. GDP growth has been at around 3% per year since 1993, a significantly higher rate than during the 1980's. While GDP increased by only 17.2% from 1986 to 1996, it increased by 11.6% during 1992-1996 alone. The table below illustrates this development.

Table 1.1: GDP growth in Denmark 1986-96 (billion DKK, ECUs in brackets, current prices)

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
GDP	441 (58.5)	443 (58.8)	448 (59.4)	450 (59.7)	457 (60.6)	463 (61.4)	464 (61.5)	471 (62.5)	491 (65.1)	504 (66.8)	518 (68.7)
Index	100	100	102	102	104	105	105	107	111	114	117

Source: Danmark Statistik 1997. GDP in market prices.

Inflation

A stable and low inflation rate has been a central goal in Danish economic policy since the mid-80's. Strict monetary policy led to falling inflation, stabilising around 2 percent in the 1990's. In 1997, the inflation rate continued to be among the lowest in Europe, amounting to 2.3%. The development in inflation in Denmark over the past decade is shown in the table below:

Table 1.2: Inflation rates in Denmark 1986-96

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Inflation rate (percent)	3.6	4.0	4.6	4.8	2.6	2.4	2.1	1.2	2.0	2.1	2.1

Source: Danmark Statistik 1993, 1997.

Public debt

While public debt has increased somewhat during the early 90's, debt as related to GDP began to decrease in 1996, and this trend has continued into 1998. The development in national (state) debt is shown below.

Table 1.3: Public debt (national) in Denmark 1986-96 (billion DKK, ECUs in brackets)

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Debt	353 (48.6)	36 (45.9)	355 (47.1)	377 (50.0)	406 (53.8)	462 (61.3)	511 (67.8)	562 (74.5)	617 (81.8)	658 (87.3)	678 (89.9)
% of GDP	53%	49%	48%	49%	51%	56%	60%	64%	67%	68%	67%
Index	100	105	110	115	120	124	128	131	139	145	152

Source: Danmarks Statistik 1997.

Wage competitiveness

Danish wage competitiveness increased by 2.7% in 1991 followed by a decline during the period from 1992 to 1995. In 1996, wage competitiveness developed positively again, with an increase of 1.1%.

Employment and unemployment

A long-term problem in Denmark has been the high level of unemployment. The unemployment rate grew from 7.9% in 1987 to 12.9% in 1993. However, due to favourable economic conditions, this trend has been reversed after 1993. It represented only 7.1% of the labour force in 1997, the lowest figure since 1980.

In Denmark, an unemployed person is defined as a person without a job, who is actively searching for employment. The development in the level of unemployment is shown below.

Table 1.4: Unemployment rates in Denmark 1986-96

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Unemployment (thousands)	220	222	244	265	272	296	318	349	343	288	246
Unemployment (percent)	7.9	7.9	8.7	9.5	9.7	10.6	11.3	12.4	12.2	10.4	8.9

Source: Danmark Statistik 1997. Average unemployment rates.

Due to the Danish definition of unemployment, persons who are without a job but are undertaking some type of VET, job training or are engaged in a leave scheme are not counted statistically as unemployed. Thus, the Danish labour market reform in the early 90's, which introduced a number of new training programmes and leave schemes, undoubtedly contributed to the statistical decrease in the number of unemployed.

Still, the total number of persons employed in Denmark has in fact risen during the later years, following a brief decline in the early 1990's, as shown in the table below.

Table 1.5: Employment in Denmark 1986-96

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Employment (thousands)	2,675	2,721	2,741	2,691	2,673	2,650	2,625	2,610	2,585	2,617	2,649
Employment frequency	81%	81%	81%	81%	80%	80%	80%	80%	79%	79%	78%

Source: Danmarks Statistik 1993, 1997. Employment frequency is defined as the number of employed persons between 16 and 66 years of age, as related to the total number of persons between 16 and 166.

Employment frequency fell somewhat during the same period. This could have been due to an increase in unemployment, but the figures above clearly show that this is not the case. Rather, falling employment frequency in Denmark points to the fact that:

- More unemployed persons are being engaged in some type of activation programme, including vocational training, whereby they are not counted as either unemployed or employed.
- More persons are leaving the labour market for other reasons, such as early retirement.

It is a combination of these two tendencies which has led to the decrease in employment frequency in recent years.

1.1.2 Political climate

Denmark has been governed by various Social Democratic coalition governments since 1993. In May 1993, the government set forward its programme declaration, which included a number of long-term targets in the field of education and training. Most funding for VET in Denmark has traditionally been provided by the state. Since 1993, there has been an increased focus on the development of the VET system; increased resources have been allocated to enhancing the public effort in the fields of initial vocational training (IVT), continuing vocational training (CVT) and in the area of training for the unemployed.

The government programme "education for all" (Uddannelse til Alle, UTA) in particular targeted youth unemployment by attempting to ensure that as many young persons (persons under 25) as possible complete qualifying youth training. Youth unemployment in Denmark in 1998 is below 5%.

Traditionally, there has been overall consensus among the employers' organisations as well as in the labour movement as to the necessity of a well-qualified and well-trained labour force. VET is viewed by the social partners as a prerequisite for maintaining such a labour force in the face of rapid technological and industrial change. In addition, the social partners agree that the majority of VET should be publicly funded, as is still the case in Denmark today. This broad agreement and backing of VET has to do in part with the extensive representation of the social partners in the various VET administrative bodies at both national and regional levels.

In the late 1980's and early 1990's, up to one-third of young persons did not receive qualifying education. This problem has now been widely recognised by political parties and the social partners. Many have pointed to the need for improving the opportunities for non-academic types of education. In relation to continuing vocational training, the trade unions typically call for an increased allocation of resources and a broader supply of courses, while employers' organisations demand a more efficient allocation of existing resources.

1.2 Legal background

This section focuses on the type of legislation, which has been introduced for financing various types of training.

In Denmark, the late 1980's and early 1990's have been characterised by significant legislative reforms of the VET system. The trend has been the introduction of a range of new management tools, which encompass:

- Framework legislation.
- Decentralisation – regionalisation.
- Market mechanisms and increased competition between vocational colleges.
- Delegation of authority to individual colleges.
- Free choice of education in a coherent, open educational system.

Thus, the VET system in Denmark today is characterised by a large degree of flexibility, where the Ministry of Labour and the Ministry of Education now perform their control function through general targets and frameworks, rather than through formal legislation and regulation. The majority of VET is government financed. As for the Ministry of Education, the educational programmes are financed directly through taxation, while the training areas covered by the Ministry of Labour are indirectly financed through the labour market contribution – paid by the tax payers – and a more limited contribution from the employers.

1.2.1 IVT legislation

On March 30th 1989, the Danish Parliament adopted the law on Vocational Education (Lov om erhvervsuddannelser, EUD) and the law on Vocational Colleges (Lov om erhvervsskoler), which can be seen as watershed legislation. The two laws provided the basis for a wide-ranging reform of initial vocational training (IVT) in Denmark. The reform reduced the number of individual educational programmes by more than two thirds, delegated authority to individual colleges, and Introduced the "taximeter" system of financing. The taximeter system within the IVT sector is generally an input-related funding mechanism. It implies that the size of the state grant for a given vocational college is determined by the number of full-time equivalent students who initiate a semester at the college, multiplied by a "taximeter" rate per student. This rate varies depending on the type and cost of the specific course in question, and is determined by the Ministry of Education.

Groups of courses are each assigned a taximeter rate, which is published in the Bill of Finance.

In 1993, the Act on Basic Vocational Training (Lov om erhvervsgrunduddannelsen, EGU) was introduced in order to target 18-19 year olds who have not had the opportunity, or the ability, to start an ordinary IVT programme. Thus, this act should be seen as a supplement to the reform described above.

1.2.2 CVT legislation

Continuing vocational education and training (CVT) was fundamentally reformed through the Labour Market Training (Arbejdsmarkedsuddannelse, AMU) Act in 1993, when taximeter funding was introduced to the labour market training (AMU) sector as well. The AMU sector constitutes a system of training under the administration of the Ministry of Labour, (separate from the vocational school system under the Ministry of Education), in close co-operation with the social partners. In addition to the introduction of taximeter funding, free admission was introduced along with tuition fees. However, the fees still constitute a minor part of the total funding for CVT.

Another main area in continuing vocational training is regulated through the Law of Open Education (lov om Åben Uddannelse). Open Education provides a wide range of certain sub-elements of continuing vocational training.

1.2.3 Legislation for training for the unemployed

For the unemployed, the Law on an Active Labour Market Policy was implemented in 1994. This law changed the traditional principles for policy towards the unemployed, and put increased emphasis on initiatives on qualifying educations. In particular, mandatory individual action plans were introduced for those unemployed persons who are required by law to be activated, as well as for other priority groups within the public employment service (AF) system. This strategy was implemented in order to ensure their quick return to the labour market. The responsibility for the concrete actions to be taken was delegated to the 14 Regional Labour Market Councils.

1.3 Administrative background

This section focuses on the administrative bodies, which are significant in the financing of different types of training. An overview is given in the chart below. The chart shows the division of responsibilities between different training types and between the different administrative levels. More elaborate descriptions of the administrative structures are given in the relevant parts of the portrait.

Table 1.6: Overall structure of VET administration

	IVT	CVT	Unemployed
Responsible ministry(-ies)	• Ministry of Education	• Ministry of Labour • (Ministry of Education)	• Ministry of Labour
National Administrative bodies	• The Council for Vocational Training • National Trade Committees (approx. 80)	• The National Labour Market Authority (AMS) • The National Labour Market Council • Continuing Vocational Training Committees (approx. 50)	• The National Employment Council
Regional Administrative bodies	• none	• none	• Regional Labour Market Councils (14) • AF regions (14)
Local Administrative bodies	• Local training committees • Governing boards of institutions	• Governing boards of AMU centres (24)	• none
Local institutions	• Vocational colleges (approx. 120), other educational institutions	• AMU centres (24)	• Various training institutions

1.3.1 IVT administration

The main administrative body for IVT is the Ministry of Education. However, the supervision and development is managed in co-operation with the Council for Vocational Training, which includes representatives of the social partners, and a number of national trade committees which are composed entirely of social partner representatives. At the local level, the social partners are also represented, both in local trade committees and in the governing boards of vocational colleges. For additional details as to IVT administrative structure and responsibilities, please see Part 2 on IVT.

1.3.2 CVT administration

CVT is administered by both the Ministry of Education (general adult education, open education, adult vocational training), the Ministry of Labour (labour market training, AMU), the CVT trade committees, the Council for Vocational Training and the National Labour Market Council. The Council on Open Education and the Council for Adult Education

should be mentioned. Finally, a cross-ministerial committee on adult and continuing training was introduced as part of the 1996 CVT reform. The social partners are represented in this system.

The Danish Labour Market Authority (Arbejdsmarkedsstyrelsen, AMS) is the principal administrative body for the AMU system. The local AMU centres, which provide about 60% of the labour market training courses, and the Council for Vocational Training, refer administratively to AMS. See Part 3 on CVT for a more elaborate description of the administrative structure.

1.3.3 Administration of training for the unemployed

The main system of training for the unemployed is administered at the central level by AMS in co-operation with the National Employment Council. The Council, which includes representatives of the social partners, advisés AMS on the development of the overall labour market policy. At the regional level, the main administrative bodies are the 14 Regional Labour Market Councils (Regionale Arbejdsmarkedsråd, RAR), which also include representatives of the social partners. The RAR in turn administer 14 corresponding public employment service (AF) regions. Please refer to Part 4 of this portrait for additional information.

1.3.4 Administrative trends

The overall administrative trend is characterised by a shift towards increased delegation and decentralisation, primarily through delegation of authority to regional and local bodies. The objective is to arrive at a situation where resources are allocated efficiently and with a view to local demands and needs. The actual delegation of power in the economic realm has been significant. Firstly, individual schools may now – within certain limits and in accordance with overall objectives – independently allocate their income. Secondly, there is a trend towards letting the market regulate training supply via the taximeter system of financing (see above). The overall intention here is to produce a more demand-oriented system of vocational education and training, which ensures a more or less direct relation between allocated resources and the number of users.

As a consequence of these trends, development programs are increasingly used as tools by which to test and illustrate the practical application of overall objectives. This trend has been accompanied by an increased focus on quality development and quality assurance.

2. Initial vocational training

This part of the monograph focuses on initial vocational training (IVT), which can broadly be defined as training undertaken post full-time compulsory schooling age. A more exact definition is provided below.

2.1 Background

This section briefly outlines the political, legislative and administrative background in relation to IVT, with particular emphasis on the overall trends which can be identified in this area.

As described in Part 1, the main trends in the area of IVT have been towards increased decentralisation, simplification and delegation of authority, coupled with an emphasis on letting demand determine more of the supply and type of educational courses. The latter is done primarily by ensuring the demand for different training programmes determines the size of the state grant, thereby giving schools an incentive to provide the training courses demanded. Secondly, granting the individual schools greater autonomy in deciding how to spend the subsidies also stimulates supply. The demand-driven aspect is ensured partly through decentralisation and through a new system of financing. Thus, the Act on Vocational Colleges (revised 1996) redefined the conditions of the vocational colleges and decentralised authority to them. The Act also introduced the "taximeter" system of financing, whereby college grants are determined on the basis of the number of students multiplied by a particular rate according to the individual training programme.

At the administrative level, the detailed objectives and the framework for individual areas of training is decided in co-operation between the Ministry of Education and the Council for Vocational Training which includes representatives of the social partners. Specifically, the Council consists of an equal number of social partner representatives (10 per side), two college chancellors, two teacher representatives and one government-appointed chairman. In addition, a number of autonomous national trade committees are responsible for certain educational areas. The national trade committees consist entirely of representatives of the social partners (also in paritetic numbers).

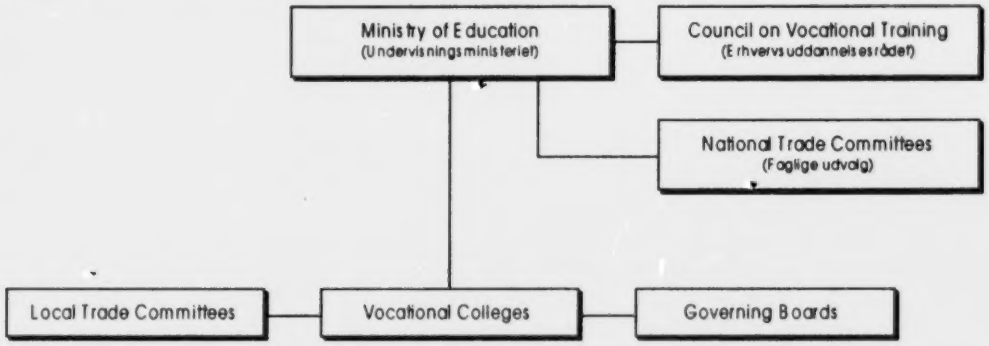
Further, a number of local trade committees – similar in composition – determine the goals for the supply of specific courses at the local level. The local training committees have been delegated authority to advise colleges on the supply of courses and on other matters in relation to the local labour market. The individual college provides teaching in line with this advice and in accordance with the agreed overall framework.

The individual vocational colleges are governed by college boards, which consist of teachers, students and administrative personnel as well as equal representatives of the social partners. The schools have a high degree of autonomy within the constraints of the overall framework set out by the Ministry of Education.

In connection with the recent reforms, the number of advisory bodies has been reduced, and the remaining bodies have gained in influence. Thus, the social partners who are represented in these bodies have gained a stronger role at all levels of the IVT system.

An overview of the IVT administrative system is given in the figure below.

Figure 2.1: Structure of IVT administration



2.1.1 Definitions

Youth education is the term used in Denmark for those types of education immediately following the end of compulsory schooling age, which in the Danish context means following the 9th or 10th year of schooling. The European Union does not contribute to IVT in Denmark apart from a minor grant to agricultural training. Youth education includes three main groups:

1. Vocational training (de erhvervsfaglige ungdomsuddannelser).
2. Special educational programmes (særlige uddannelsesforløb).
3. Upper secondary education: the 3-year upper secondary school (gymnasium); the 2-year higher preparatory examination course (højere forberedelseseksamen, HF); the 2-year student course (studenterkursus); the 3-year commercial and technical upper secondary educational programmes (Højere Handelseksamen, HHX; Højere Teknisk Eksamen, HTX); the 1-1½ year technical college access courses.

Of these groups, only the first two can be properly called IVT. They provide more or less direct access to a vocation or trade, while the third group is aimed at higher (tertiary) education. IVT normally covers training for persons who are 16-19 years of age, and can as such be described as youth training. However, a number of programmes, which are most appropriately described as IVT, are also accessible for higher age groups. IVT is in general free of charge for the participants.

In Denmark, IVT is usually organised as sandwich courses, which consist of a combination of theoretical training at schools and practical training through work placements in companies (or at schools, if no company work placements are available).

IVT in Denmark can be split into the following sub-groupings:

General Initial Vocational Training (erhvervsuddannelse, EUD)

The EUD general initial vocational training system in Denmark was set up in 1991 (by law of 1989). EUD is youth training, and involves an extension of the 9 years compulsory education. Today, there are 89 different directions within vocational training, which all provide direct access to the labour market. Most directions offer opportunities for further

specialisations, which lead to a total of approximately 300 educational paths. EUD vocational training programmes has the following characteristics:

- They are organised as sandwich courses, involving alternating periods of theoretical and practical training.
- The students may begin their education without having a work placement agreement with an enterprise.
- The duration of the educational programme is usually 3-4 years, of which theoretical schooling constitutes between 6 months and 2 years.
- With certain exceptions, there is free access to the programmes.
- The theoretical schooling takes place at vocational colleges (tekniske skoler and handelsskoler), and to some degree at AMU-centres, which ordinarily offer courses within continuing vocational training (CVT). The vocational colleges are independent institutions, which are governed by boards that have equal representation of employer's confederations and trade unions. The schools' boards also comprise a representative from the surrounding municipalities and counties.
- The legal framework for the vocational colleges is very broad, leaving the individual colleges a large degree of freedom to organise their teaching and to administer the educational grants.

During the late 80's and early 90's Denmark experienced a shortage of apprenticeships within vocational training. The political desire to create more opportunities for practical training led to the "apprenticeship agreement" in 1992. This led to a reform of the Collective Employer Fund (Arbejdsgivernes Elevrefusion, AER). AER was originally introduced in 1977, in order to create an incentive to companies to employ more students by offering them a grant. This grant, allocated by the AER, was given to companies primarily as compensation for the students' wage during periods of school-based training, and secondarily as a general grant to all companies offering vocational training. The general grant was phased out by the end of 1996 and replaced by a new permanent subsidy arrangement involving a limited number of work placements. AER is the administrative body, which distributes the allocation. The arrangement is financed primarily by compulsory contributions from employers, secondarily by the state. However from 1999 AER will be financed exclusively from compulsory contributions from employers. The funds are allocated as direct subsidies, wage compensation, refund of transportation costs, trainee periods abroad and subsidised theoretical training.

The drop-out rates in basic vocational training have now begun to fall. In certain sectors of the labour market, there is now a surplus of work placements available.

EUD vocational training constitutes the main part of IVT in Denmark and sets the standard for the general structure of financing of IVT, as well as for the practical allocation of funds.

Basic social and health care training programmes (SOSU)

The basic social and health care training programmes (de grundlæggende social- og sundhedsuddannelser, SOSU) consist of three individual training courses:

- Social and health worker.
- Social and health assistant.
- Pedagogical basic training.

SOSU training programmes last for 1-1½ years and are also organised as sandwich courses. Access is limited by regional and local authorities, and is administered through joint governing boards. The education is free of charge for students (with the exception of some teaching materials), and the students receive a salary. The regional (county) administrative bodies provide the main source of financing. This is the main difference between SOSU courses and EUD vocational training. In addition, the 23 SOSU colleges gain revenue from various types of supplementary activities.

Agricultural training

Agricultural training in Denmark lasts 3 years and is also structured as sandwich courses. The financing is organised similarly to basic vocational training through a taximeter rate per student, provided directly from the state to individual colleges. There is free access and choice of college.

Special educational programmes

In addition to the courses mentioned above, a number of relatively new initiatives, characterised as "special educational programmes", have been set up in recent years:

- Bridge-building to basic vocational training.

This is available to everyone over the age of 16, who has completed the 9th grade of compulsory primary schooling, and involves combined 1-year counselling and educational courses. The aim is to give the students the opportunity to try various types of education before they make their final choice. The educational institutions providing the programme receive a taximeter grant from the state.

- The free youth education (Den Fri Ungdomsuddannelse, FUU).

FUU is a 2-year course of study that is individually organised for each student. The target group is young persons who do not wish to participate in the more traditional types of education. Of the two-year course, 40 weeks must be spent on theoretical training. Typical areas of study are pedagogical, musical and creative. The student normally receives a study grant (SU) from the state, and the educational institutions providing the programme receive a state-financed taximeter rate per student.

- Basic vocational training (Erhvervsgrunduddannelsen, EGU).

Basic vocational training was set up by law on August 1 1993. EGU is an individual educational offer targeted at youth who do not have sufficient theoretical skills to complete a traditional type of IVT. EGU focuses on improving these young people's opportunities for entering general IVT or the labour market by improving their practical as well as theoretical skills. The specific courses are determined by the municipalities in co-operation with the students and vocational colleges. EGU takes 1½ to 3 years, of which 20-40 weeks must be theoretical training.

The special educational programmes only receive funding from the central government.

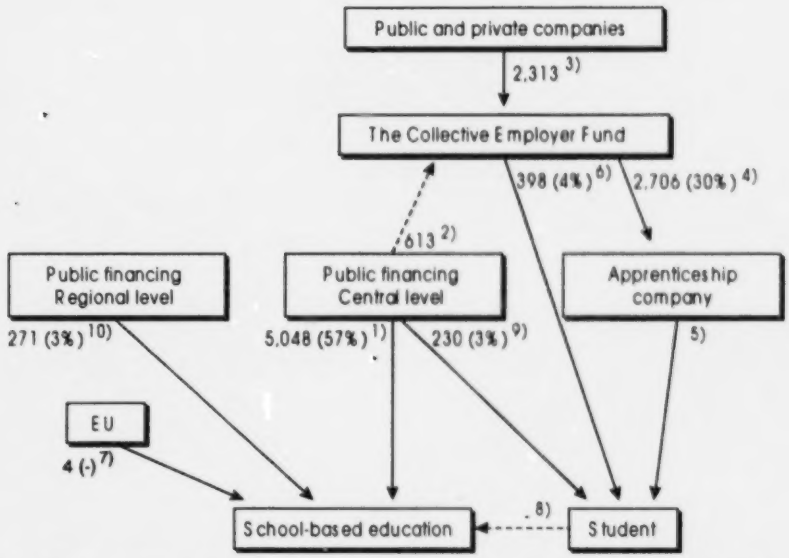
2.1.2 General development in financial principles

As outlined above, the late 1980's and early 1990's saw a number of fundamental changes to the Danish educational sector, not least in the area of youth vocational training. This encompassed a number of reforms, which changed the Ministry of Education's control instruments from rule-based control to a framework-based system. The reforms were politically motivated by a desire to decentralise educational authority through introduction of the taximeter principle, frame-work subsidies and increased educational competence to individual colleges. Almost all detailed planning was delegated to the institutions, in order for them to plan their activities effectively and in a financially efficient manner.

2.1.3 Diagram over IVT money flows

The figure below indicates the overall sources of financing for IVT in Denmark. The following section provides a more detailed account of the direct and indirect sources respectively.

Figure 2.2: Money flow for initial vocational training 1996 (million DKK, ECUs in notes)



1. DKK 5,048 million (669,5) for direct educational expenses and capital funding.
2. Subsidies based on AER's wage expenses amounted to DKK 613 million (81.3) in 1996. The subsidy will be terminated in 1999.
3. Financing provided by public and private companies, including interest: DKK 2,313 million (306.8).
4. Compensation of wages during theoretical education DKK 1,148 million (152.3), transport ex-penses during theoretical education DKK 75 million (9.9) and work placement subsidies DKK 1,483 million (197.7), amounting to a total of DKK 2,706 million (3.6).
5. Student wages DKK 17,260 million (2,289.1). However, the figure is not included as part of total IVT funding, as it is interpreted as ordinary wage costs.
6. Student compensation, Mobility subsidies and educational- and bording school expenses: Total DKK 398 million (52.8).

7. Only agricultural education: DKK 4 million (0.5) (percentage below 0.0). The subsidy is given to the central level which hereafter allocates the funds to the education.
8. Limited student financing (no accounts exist).
9. Grants for students without a work placement (SU), amounting to DKK 230 million (30.5).
10. The regional level finances the SOSU educational programmes: DKK 271 million (35.9) (1996)

2.2 Sources of funding

The area of youth education in Denmark is funded primarily by the public sector. This includes initial vocational training. Companies do not directly cover expenses in connection with the theoretical part of vocational training. In addition, apart from the purchase of certain educational tools, there are no tuition fees. The contribution of companies to IVT includes wage expenses for work placements and the companies' payments to the Collective Employer Fund (AER). These payments are provided both by private and public sector firms. The distribution of contributions between private and public employers is shown below.

Table 2.1: Distribution of contributions to AER between private and public employers 1996 (million DKK, ECUs in brackets)

	Contribution
Private employers	1,422 (188.6)
Public employers	858 (113.8)
Total employer contributions	2,280 (302.4)

Source: AER Direct sources of funding and distribution mechanisms

The combination of theoretical (school-based) and practical training in companies means that Denmark has three different main sources of financing for IVT:

1. The public finances the theoretical part of the education.
2. The employers pay student wages during the entire educational period.
3. The Collective Employer Fund (AER) refunds the main part of the companies' student wages during the theoretical part of the education. Further, it finances school based practical training which occurs when no educational agreement has been made with a company.

These three direct sources of funding are considered in detail below.

Public financing

Initial vocational training in Denmark is almost entirely financed by the public sector, primarily from the central level. Only SOSU programmes are financed by the regional level. The education is free of charge for students.

State financing of IVT is based on a lump sum subsidy system. The lump sum is based on previous years' expenditure and estimates future demand. The subsidies consist of:

- Activity-related subsidies for covering direct educational expenses e.g. the education taximeter.
- Activity-related subsidies for covering institutional costs, including capital costs (fixed expenses and building expenses), e.g. the taximeter for institutional costs and the building taximeter.
- Basic subsidy (fixed expenses).
- Specific subsidies.
- State educational grants (SU).

The activity-related subsidies for education and institutional expenses are determined according to certain criteria that are common to all colleges and for larger groups of educational directions, and are allocated as taximeter subsidies. These criteria are primarily the actual educational costs (direct educational expenses) and number of students (institutional costs and building expenses). The taximeter principle is a method of measuring educational activity based on the number of students. Every student-year (a student-year is counted as a student who has received education at a college for 40 weeks) triggers a certain subsidy rate, which is determined in the Bill of Finance. The subsidy rate generally varies according to the type of education, e.g. a more expensive course triggers a bigger subsidy rate than a less expensive one.

The education taximeter

The state activity-related subsidies, which cover the direct educational expenses, or the "education taximeter", are subsidies that include teachers' wages, other wages, teaching materials and other equipment related to the education. The educational taximeters in the area of IVT in Denmark in 1996 totalled:

- General initial vocational training: DKK 2,484 million (including expenses for school placements and workshop courses).
- Basic social and health care training programmes (SOSU) DKK 9.1 million (only for domestic economics and foot therapist education, since the regional counties finance the remaining sum). The SOSU courses are an exception, since the regional counties are responsible for running the courses as well as the colleges. The total expense for the regional municipalities in 1996 was DKK 271 million. Thus, total public funding for SOSU programmes was DKK 280 million in 1996.
- Agricultural education: DKK 91.0 million (incl. tuition fees and meals and lodging during school stays). In addition, the European Union provided DKK 4.0 million in 1996 for subsidies granted to agricultural managerial education in Denmark.
- Special educational programmes: The educational expenses for bridge-building courses are generally included in the various educational taximeters. Those elements in bridge-building courses, which consist of the initial sections of approved youth educational programmes, are financed according to the rules in the legislation governing the specific type of school or activity. Rates per student per year for special bridge-building introductory courses are determined in the Bill of Finance. The EGU-education consists of parts of existing types of education. Thus, the EGU-students receive

subsidies or grants according to the rules for the specific types of education included in his or her educational programme.

The taximeter for institutional costs

The taximeter for institutional costs covers costs for administration, development and marketing, maintenance and other expenses which are related to the entire school and cannot be rationally divided among the various individual courses. The institutional costs taximeter for vocational colleges was DKK 1,356 million in 1996 (including basic subsidies, subsidies for school homes, subsidies for research and development, loans for school purposes, and subsidies for work placement and apprenticeship administration). This figure may be too high, as it also includes institutional costs for commercial and technical upper secondary education.

The building taximeter

The building taximeter includes subsidies for investment in new or used buildings, involving payments, rental, priority subsidies (ydelser) and maintenance. The total taximeter in 1996 was DKK 900 million for vocational colleges and DKK 18.6 million for the agricultural colleges, amounting to a total of approximately DKK 919 million. This figure also includes institutional costs for commercial and technical upper secondary education and is probably too high.

The basic subsidy

The basic subsidy (grundtilskud) is provided for all vocational colleges and varies between DKK 1.2 million and DKK 4.0 million for each college depending on the number and type of students at the college. The figure is included in the shared cost taximeter.

Subsidies for specific purposes

Subsidies for specific purposes totalled DKK 189 million in 1996 (including students' transport expenses).

All subsidies are determined as net prices, e.g. the state grant subtracted possible other state provided incomes. Individual colleges may freely dispose of all additional income to the subsidies. Likewise they may freely spend the total subsidy for direct educational expenses and institutional costs. This "lump sum" form of subsidy means that there are no wage-sum or personnel limits connected with the subsidies and the colleges are free to spend the subsidies as they wish. The colleges may also save part of the subsidies.

State educational grants (Statens Uddannelsesstøtte, SU)

If a student begins at a vocational college without having an educational agreement with a company, the student does not receive a wage but rather the state educational grant according to the same rules as for other students. SU will be replaced with normal apprenticeship wages if an educational agreement is negotiated with a company. The total state educational grant expenditure for IVT in 1996 was DKK 230 million. Of this amount, SU for the basic health and social educational (SOSU) area totalled DKK 4.3 million, and agricultural education totalled DKK 13.5 million.

The table below provides an overview of the total level of public spending for IVT (excluding state support for the AER).

Table 2.2: Total direct public spending 1996 (million DKK, ECUs in brackets)

Area	1985	1990	1995	1996	% (1996)
General initial vocational training	1,867 (247.6)	2,401 (318.4)	2,138 (283.6)	2,484 (329.4)[4]	45%
SOSU programmes (funded regionally)	n/a	156 (20.7)	210 (27.9)	271(35.9)[5]	5%
SOSU programmes (funded by state)	37 (4.9)	45 (6.0)	9 (1.2)	9 (1.2)	-[11]
Agricultural education	[1]	[1]	94 (12.5)	91 (12.1)[6]	2%
Taximeter for institutional costs	[1]	[1]	1,224 (162.3)	1,356 (179.8)[7]	24%
Building taximeter	431 (57.2)	463 (61.4)	973 (129.0)	919 (121.9)[8]	17%
Subsidies for specific purposes	[1]	[1]	209 (27.7)	189 (25.1)[9]	3%
State educational grant (SU)	0[2]	49 (6.5)	211 (28.0)[3]	230 (30.5)[10]	4%
Total public spending	2,335 (309.7)	3,114 (413.0)	5,068 (672.1)	5,549 (735.9)	100%
Index	100	133	217	238	

1. These figures from 1985 and 1990 are included in general initial vocational training.
2. This figure is not available, but is estimated to be insignifikant according to SU-styrelsen.
3. This increase occurred because SU was provided from the age of 18 instead og 19 under condition of low parent income.
4. Source: Statsregnskabet for 1996: §§ 20.43.01, 20.43.12, 20.43.13, Statsregnskabet for 1996: § 20.44.01 and www.arf.dk/stat/index.html, Statsregnskabet for 1996: §§ 20.45.01.10, 20.45.01.20, 20.45.01.30, Statsregnskabet for 1996: §§ 20.41.01.10, 20.41.02.10, 20.41.02.20, 20.41.03, 20.41.04, 20.41.05, Statsregnskabet for 1996: §§ 20.41.01.25, 20.41.02.25, 20.41.71, 20.45.01.35, Statsregnskabet for 1996: §§ 20.41.06, 20.41.31, SU støtte & SU gæld 1996, p. 39. From 1996 SU was provided to all from the age of 18 disregarding the level of parent income.
5. This figure is below 0,5%.

Public spending for IVT, excluding student grants, was DKK 5,319 million in 1996, while the total amount was DKK 5,549 million.

Financing by employers

During vocational training the students are paid by the employer with whom they have an educational agreement (a work placement). The same is the case for SOSU-education and agricultural education. The training wage must be at the minimum equal to the wage determined through collective bargaining within the educational sector. The Danish Employers Confederation (Dansk Arbejdsgiverforening, DA) states that the average wage in 1996 was DKK 9,465 per month. Since, according to AER, there were approximately 152,000 students taking their education via 36,500 employers, the aggregated work placement wage costs for companies are approximately DKK 17.3 billion. However, this

expense is not counted as part of the total level of funding for IVT, since it is considered a wage expense for a certain service rather than a subsidy used directly for educational purposes.

The Collective Employer Fund (AER)

The AER is an independent employer fund, which has been established with the purpose of ensuring a sufficient number of work placements for those students who are taking a practical education. The fund operates, in practice, through the various subsidy and refund arrangements for the support of companies who employ students. The main part of the companies' wage expenses during the theoretical training are refunded by AER. During theoretical training, the AER compensation received by the firm and allocated to the student is the same as the wage received during the practical work placement.

Table 2.3: AER income and expenditure (million DKK, ECUs in brackets)

	1985	1990	1994	1995	1996
Income					
State subsidy	0	662 (87.8)	499 (66.2)	511 (67.8)	613 (81.3)
Employers	1,080 (143.2)	0	2,559 (339.4)	2,262 (300)	2,280 (302.4)
Interest	45 (6.0)	25 (3.3)	61 (8.1)	66 (8.8)	33 (4.4)
Refunded wage sum tax etc.	-	15 (2.0)[1]	-1.8 (-0.2)	6.7 (0.9)	-
Total income	1,125 (149.2)	702 (93.1)	3,117 (413.4)	2,845 (377.3)	2,925 (387.9)
Index	100	62	277	253	260
Expenditure					
Wage compensation	443 (58.8)	528 (70.0)	1,037 (137.5)	1,013 (134.4)	1,148 (152.3)
Transport subsidy	-	43 (5.7)	62 (8.2)	66 (8.8)	75 (9.9)
Work placement subsidy	613 (81.3)	59 (7.8)	1,210 (160.5)	1,515 (200.9)	1,483 (196.7)
Mobility subsidies	-	-	9 (1.2)	12 (1.6)	16 (2.1)
Student compensation, etc.	-	-	258 (34.2)	216 (28.6)	209 (27.7)
Educational- and boarding school expenses	-	-	214 (28.4)	185 (24.5)	173 (22.9)
Total expenditure	1,056 (140.1)	630 (83.6)	2,790 (370.0)	3,007 (398.8)	3,104 (411.7)
Index	100	60	264	285	294

Sources: AER: beretning og regnskab 1988, 1990, 1995, 1996

1. In 1990 from the European Social Fund.

AER income

The fund is primarily financed through a mandatory employer's contribution from all public and private employers. This contribution is paid quarterly and, in 1997, it amounted to DKK 1,130 per full-time employed per year. The fund received a total of DKK 2,280 million from employers in 1996. Thus, it is mainly the employers who both finance and receive subsidies from AER. In addition to the employers' contribution, the fund receives a grant from the state based on a percentage of the wage compensation given to employers during the students' theoretical training. This percentage amounted to DKK 613 million in 1996, or 50% of the total wage compensation provided by the fund. However, the indirect state grant will gradually be phased out. In 1997, it totalled 25% of the wage

compensation and in 1998 it will amount to 10%. The AER will be completely employer-financed by 1999.

AER expenditure

The AER may provide the employer with a transportation subsidy, which amounts to up to 80% of the employer cost for the students' transport during theoretical training. In addition, the AER may provide subsidies for placements abroad during education (which cover travel and relocation expenses), and work placement subsidies, which are subsidies of DKK 3,000 per quarter for certain disadvantaged students.

Further, the AER supports the individual students directly under certain circumstances. Firstly, it includes mobility-advancing services, for instance support for travelling and moving if the student has to travel far in Denmark in connection with finding or starting an apprenticeship. Secondly, travel- and relocation assistance is given to students who wish to find or start a work placement abroad. Thirdly, support is given to students who do not have an educational agreement with the employer and who have to take a practical school education via the school placement scheme. The total expenditure for the Collective Employers Fund in connection with educational agreements was DKK 3,104 million in 1996.

2.2.1 Indirect sources of funding

The vocational colleges may, in addition to the direct sources of financing mentioned above, carry out various types of additional activities according to rules determined by the Minister of Education. Approximately 120 vocational colleges were, in 1997, expected to carry out activities financed directly by enterprises. This type of activity includes various course activities, consultancy services and other activities. In 1997 the colleges are expected to reach a total turnover of approximately DKK 229 million (DKK 172 million from courses, DKK 27 million from consultancy, and DKK 30 million from other activities).

The recent developments in income and expenditure in vocational colleges has shown that the colleges utilise their freedom in connection with the lump sum system of funding in order to differentiate between different educational courses. Thus, the centrally determined taximeter rates do not seem to set the standard for how much is in fact used for the individual types of education. Meanwhile, it can be expected that the colleges use part of the income from self-financed activities for other educational areas or for institutional costs. However, no figures are available which describe this internal re-allocation by individual colleges.

2.2.2 The total level of funding

The aggregated level of expenditure in Denmark for initial vocational training builds on the figures mentioned in the sections above.

Table 2.4: Breakdown of total level of funding for IVT, 1996 (million DKK, ECUs in brackets)

	1985	1990	1995	1996	Percent (1996)	Percent of GDP[1] (1996)	Per capita (DKK)[2] (1996)
Total public spending	2,335 (309.7)	3,114 (413.0)	5,068 (672)	5,549 (735.9)	63	0.54	1,057 (140.2)
Funding by Collective Employer Fund to companies	1,056 (140.1)	630 (83.6)	2,594 (344.0)	2,706 (358.9)[3]	30	0.27	515 (68.3)
Funding by Collective Employer Fund to students	-	-	413 (54.8)	398 (52.8)[4]	4	0.04	76 (10.1)
Indirect sources of funding	-	-	-	229 (30.4)[5]	3	0.02	44 (5.8)
EU (ESF)	-	-	4 (0.5)	4 (0.5)[6]	0	-	1 (0.1)
Total	3,391 (449.7)	3,744 (500.5)	8,079 (1071.5)	8,886 (1178.5)	100%	0,88%	1,693
Index	100	110	238	262			

1. Danish GDP, current prices (bruttonationalprodukt i markedspriser, løbende priser) was DKK 1,014 billion (134.5) in 1996.
2. The total population is estimated at 5.251.000 in 1996 (source: Danmarks Sta-tistik 1997).
3. Source: AER: beretning og regnskab 1996.
4. Source: AER: beretning og regnskab 1996.
5. Source Finansloven 1997, pp. 103.
6. Source: Statsregnskabet for 1996: §20.45.02.

The figures below show the development in IVT funding levels as well as the relative distribution of IVT funding sources.

Figure 2.3: Development in IVT funding levels (million DKK)

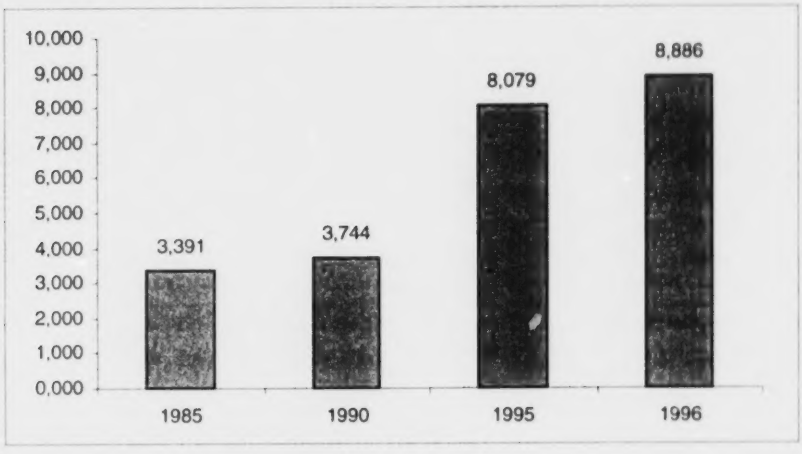
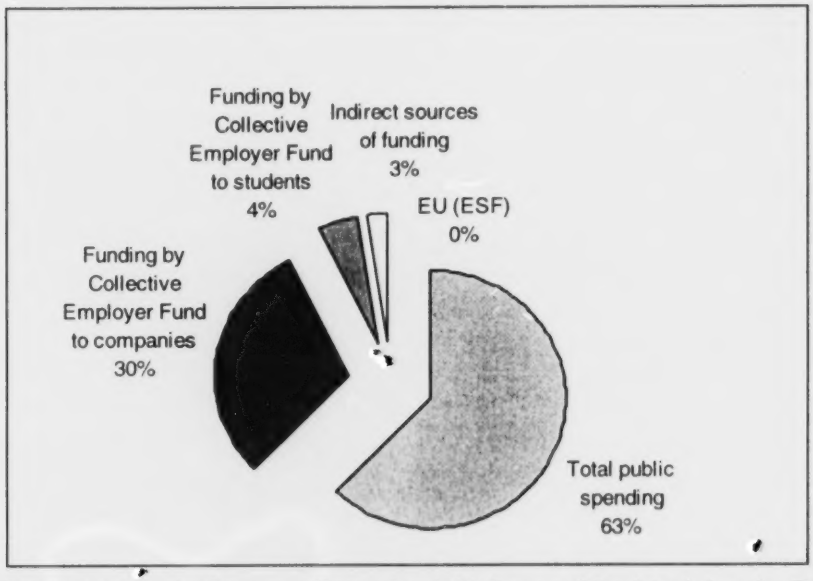


Figure 2.4: Distribution of IVT funding (1996)


Funding by Collective Employer Fund to students 4%
Indirect sources of funding 3%
EU (ESF) 0%
Funding by Collective Employer Fund to companies 30%
Total public spending 63%

The total level of expenditure for initial vocational training in Denmark in 1996 was DKK 8,886 million, which corresponds to 0.88% of GDP. It is clear from the above that the balance between direct and indirect financing is characterised by an overweight of directly financed expenses, since IVT is primarily financed directly by the state.

2.3 Overall conclusions

This section has treated the sources of financing for IVT. As clearly shown, IVT is financed primarily by public sources through state grants. However, private and public employers also contribute to the overall financing through compulsory contributions to AER. AER then

provides various subsidies to companies in order to compensate them for employing students and thereby creating a greater incentive for doing so.

Financial resources are principally allocated in accordance with the taximeter system, which was introduced in 1989 after a reforming law on vocational training. This system allocates resources according to the number of students, thus giving an incentive to the decentralised bodies to adjust the supply and types of education to local demand. Thus there is a trend towards decentralisation and market driven supply of IVT. Further efforts have been made to make the education system more flexible in order to ensure that all young people receive an education.

3. Continuing Vocational Training (CVT)

3.1 Background

Since the 1960's, continuing vocational training (CVT) has played a central role in Danish labour market policy. Denmark has a long tradition for offering continuing vocational training and for providing state support for participants. The main line of thought has been that it is of crucial importance that the labour force always possesses the necessary general and vocational qualifications in order to ensure a flexible and competitive labour market. Education is regarded as a continuous, lifelong process which should be available in all phases of an individuals working life in accordance with their needs as well as the needs of the labour market.

In addition, Denmark has a long tradition for the involvement of the labour market partners in developing and implementing CVT policy. Their involvement is institutionalised through their participation in national and local decision-making bodies within the area of CVT.

3.1.1 Legislative developments

During the last decade, a number of new initiatives have been introduced in order to strengthen the role of continuing vocational training. A number of Acts determine the framework for the various CVT educational programmes. The two central Acts are the Act on Labour Market Training (AMU-loven, 1993) and the Act on General Adult Education (Lov om Almen Voksenuddannelse, 1989). In 1997, access to the AMU system of labour market training became entirely free by law. In addition, with the Act on Educational Support to Adults (Loven om voksen-uddannelsesstøtte, VUS) in 1989, it has become possible for individuals in jobs to receive financial support from the state for training during work hours for up to 80 weeks. The aim of this legislation was to provide CVT for groups with a high risk of unemployment in order to reduce the risk of structural unemployment. The law became permanent in 1992.

3.1.2 Administrative developments

At the administrative level, both the Ministry of Education and the Ministry of Labour are responsible for continuing vocational training.

Since 1993 a number of reforms have focused on increased co-ordination between the various educational programmes within CVT. This has enhanced the possibilities for crossing traditional educational boundaries, while co-operation between different training programmes has become more flexible.

The financing of CVT is generally provided by the state and is based on the taximeter principle.

3.1.3 Definitions

The legislation on CVT is quite clear on the distinction between general adult education and what can be termed as continuing vocational training. The individual types of educational programmes also have distinct goals which are easily distinguished. However due to a reform in 1996 (Voksen- og efteruddannelsesreformen), a number of new opportunities have been introduced in order to integrate or combine general education and CVT. Thus, parts of the general adult educational programmes may greatly contribute to the participants' vocational qualifications. This is especially the case for persons with no or very limited formal education.

Since the general programmes for adult education cannot strictly be defined as vocational, they have not been included in this account. This definition of vocational training is in accordance with the definition endorsed by the State Accountants which are elected by the Danish parliament, Folketinget.

In addition, CVT in Denmark is not only offered to persons already employed, but to the unemployed as well. Thus, this Part of the Financing Portrait necessarily includes certain educational programmes which are also used by the unemployed.

With these considerations in mind, continuing vocational training in Denmark includes:

- The labour market training courses – the AMU system (arbejdsmarkedsuddannelserne, AMU).
- Open education (åben uddannelse).
- Courses at institutions of higher education (kurser på videregående uddannelsesinstitutioner).
- Other state-financed continuing educational programmes (anden statslig efteruddannelsesvirksomhed).
- Continuing vocational training offered by the private sector (erhvervsrettet efteruddannelse udbudt af private).
- Internal continuing education at the workplace (intern efteruddannelse på den enkelte arbejdsplads).

Labour market training courses (the AMU system)

The labour market training courses include qualifying education, ordinary and special programmes, company-specific programmes etc. The purpose is to offer relatively short training and re-training courses, which are continuously adjusted to the current demands for skills and knowledge on the labour market.

Programmes offering formal qualifications amount to 80% of the activities within the AMU system. Any institution, which meets certain criteria, may provide labour market training courses. However, 98% of the labour market training courses are provided by the vocational colleges and by the labour market training centres – also called AMU centres. When it comes to programmes offering formal qualifications approximately half take place in AMU centres, and the other half take place in vocational colleges and other institutions.

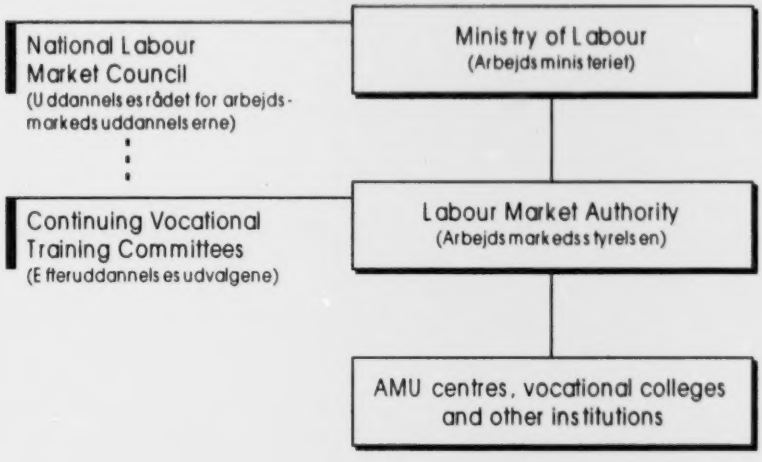
The types of educational programmes offered can be divided into the following groups:

- Short qualifying courses (duration up to 6 weeks).
- Longer qualifying labour market training courses (duration from 6 weeks to 12 months).
- Company-adapted courses.
- Competence-clarifying courses.
- Special educational programmes for refugees/immigrants and young persons (duration 6 weeks up to 18 months).

The AMU centres are independent institutions, which are primarily financed through state subsidies. A number of AMU centres were state institutions before all of them became independent institutions in 1996. However, around 40% of the AMU activities takes place in vocational colleges and other institutions approved by the government t. In 1996 the labour market training courses constituted almost 60% of the courses at the AMU centres. Another 17% of courses were bought by the Regional Labour Market Councils (RAR's) or the public employment service (AF) (see section 7 for further details). However in 1997, free access to most AMU courses were introduced, and the RAR's and the AF system now pay for special courses only. In other words, the RAR/AF share has fallen since 1996 and the training delivered directly to companies have risen. Maximum another 6% are special designed courses bought by public and private companies. The remaining 17% were courses for refugees and special temporary programmes.

Individuals do not pay user fees for labour market training courses. Subsidies are paid to individuals participating in AMU training. The subsidy equals the maximum unemployment benefit rate, which was DKK 136,500 a year in 1997.

Figure 3.1: The AMU system



The figure above illustrates the structure of the AMU system. The Ministry of Labour has overall responsibility for legislation and settting the objectives in this area. The Labour Market Authority is responsible for the administration of the labour market training courses. The courses take place in AMU centres, vocational colleges and other institutions. The National Labour Market Council advises and makes recommendations to the Ministry of Labour on matters concerning regulation, public orders from AF, requirements for education and appropriations. There are more than 50 Continuing Vocational Training Commit-

tees covering different trades. The committees have the responsibility for the development of the courses and for the education of the teachers within their area. The committees advise and make recommendations to the National Labour Market Council on matters concerning requirements for education. See the section in this part concerning financing distribution mechanisms for further details.

Trade unions, employers' confederations and other social partner groups are involved at all three levels in the AMU system. They are represented in the boards of the AMU centres and the vocational colleges, in the Continuing Vocational Training Committees and in the National Labour Market Council. Furthermore, municipalities and counties are represented in the boards of the AMU centres and the vocational colleges and in the National Labour Market Council (but not in the committees).

Open education (åben uddannelse)

Open education aims to provide the adult population with the opportunity to follow certain sub-elements of continuing vocational training as well as short educational courses. More specifically, open education encompasses:

- Vocational part-time educational programmes (erhvervsrettede deltidsuddannelser).
- Full-time educational programmes which are reorganised as part-time programmes (heltidsuddannelser tilrettelagt på deltid).
- Single subjects (enkeltfag).
- Short educational courses (korte kurser).
- Special educational programmes (særligt tilrettelagte uddannelsesforløb).

Vocational colleges, AMU centres, SOSU institutions, nursing academies, institutions of higher education and other types of vocational educational institutions may freely offer those types of education, for which they are already approved, as open education.

Some of the participants in Open Education get adult educational support (voksenuddannelsesstøtte, VUS), since adult educational support is available for employed persons with only a short period of education. Since the focus of this report is vocational training, only the part of adult educational support for participants in Open Education will be included.

Courses at institutions of higher education (Kurser på videregående uddannelsesinstitutioner)

These courses include continuing vocational education of teachers, pedagogues, social consultants, experts in nutrition and home economics, architects and librarians. The courses take place at any relevant institution of higher education. Most of these courses are or will be rearranged in accordance with the model for open education (see above).

Other state-financed continuing educational programmes (anden statslig efteruddannelsesvirksomhed)

This area includes continuing education for farmers, the film industry, artists and sailors.

Continuing vocational training offered by the private sector (erhvervsrettet efteruddannelse udbudt af private)

Suppliers of private courses include:

- Commercial suppliers (including computer companies).
- Employer and business organisations.
- Trade unions and associations.
- Public suppliers (such as AMU centres and vocational colleges, which offer courses in addition to the publicly financed courses, which constitute their core activity).

Internal continuing education at the workplace (Intern efteruddannelse på den enkelte arbejdsplads)

Internal continuing training can include "on-the-job-training", participation in conferences and seminars, courses offered by suppliers (where the supplier of a product teaches about its use), participation in project groups and job rotation.

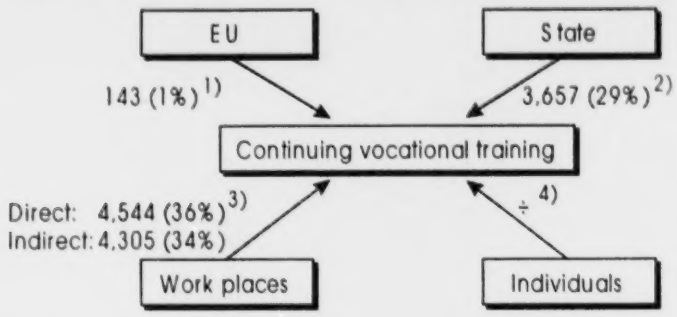
3.1.4 Overall development in financial principles

Continuing vocational training constitutes one part of the overall area of adult and continuing education. The area is characterised by a great variety in the type of educational courses, suppliers and financing. As described in the background section above, a number of new legislative initiatives have been introduced over recent years, with the aim of strengthening the efficiency in those areas which are fully or partly publicly financed. The changes have, in particular, focused on increasing the flexibility in the supply of CVT, and on making it more demand-driven. Breaking down the traditional barriers between various types of education has, in part, brought about a demand-driven supply of education. As a consequence, access to combining different educational paths has increased. In addition, supply has increasingly been adjusted in order to meet specific local needs. Meanwhile, more state resources have been allocated to the area of CVT.

3.1.5 Financial flows

The figure below provides an overall picture of the financing of CVT. The corresponding text indicates the level of financing, while the following section presents a more detailed account of the direct and in-direct sources.

Figure 3.2: Financial flows for CVT financing 1996 (million DKK, ECUs in notes)



1. A part of the DKK 143 million (19.0) received from the European Social Fund (Objective 2, 4, 5b and ADAPT) (Source: Statsregnskab for finansåret 1996, Finansministeriet). An unknown share of this sum is allocated to projects which are fully or partly aimed at CVT.
2. DKK 3,657 million (485.0) in direct expenses, which primarily are used for the AMU educational programmes (Source: Estimated on the basis of figures in Rapport fra udvalget om voksen- og efteruddannelse, Finansministeriet, 1994). To this amount should be added an unknown amount in indirect costs due to the fact that employers are allowed to tax-deduct their education and training expenses.
3. Approximately DKK 8,850 million (1173.7), of which DKK 4,544 million (602.7) are direct expenses for course costs, wages for teachers, etc., while DKK 4,305 million (571.0) are indirect costs for wages to employees who participate in CVT (Source: Rapport fra udvalget om voksen- og efteruddannelse, Finansministeriet, 1994).
4. There are no accounts available as to individual costs for private persons in connection with CVT.

3.2 Sources of funding

3.2.1 Direct sources of funding

The European Union

The European Union supports Denmark via the European Social Fund. The total level of support amounted to DKK 480 million in 1996. Of this sum, DKK 143 million are targeted at projects which may contain an element of CVT. Such projects provide support to regions affected by industrial decline (Objective 2), support for workers' adaptation to industrial change (Objective 4), support for the development of rural areas (Objective 5b) and support for the adaptation of the work force to structural changes in the industry (ADAPT). There are no accounts in Denmark of how large a share of the DKK 143 million is used specifically for CVT activities.

The state

The direct state expenses for CVT and the distribution of these expenses are illustrated in the table below.

Table 3.1: State CVT expenditure (million DKK, ECUs in brackets)

Area	1985	1990	1995	1996	Percent (1996)
Labour market training (AMU)	650 (86.2)[2]	905 (120.0)[5]	1,638 (217.2)[7]	1,637 (217.1)[9]	44%
Labour market training (AMU), invested capital	9 (1.2)[2]	6 (0.8)[5]	63 (8.4)[7]	35 (4.6)[9]	1%
Subsidies to individuals participating in AMU training	740 (98.1)[3]	653 (86.6)[5]	933 (123.7)[7]	1,000 (132.6)[9]	27%
Open education	0	-[6]	606 (80.4)[7]	753 (99.9)[9]	20%
Adult educational support (VUS) for participants in Open Education[1]	0	-	30 (4.0)	23 (3.05)	1%
Courses at institutions of higher education	-[4]	-[4]	178 (23.6)[8]	216 (28.6)[8]	6%
Other state-financed CVT	-[4]	-[4]	13 (1.72)[8]	14 (1.9)[8]	0%
Educational support for sailors	-[4]	-[4]	2 (0.3)[8]	2 (0.3)[8]	0%
Total	1,399 (185.5)	1,564 (207.4)	3,463 (459.3)	3,680 (488.1)	99%
Index	100	112	248	263	

1. Specification does not exist. Figures for 1995 and 1996 are estimated as 19% of the total amount spent on VUS. 19% of the persons receiving VUS participated in Open Education. Open Education started in 1990 – the figure cannot be estimated.
2. Source: Statsregnskabet for finansåret 1985.
3. The subsidies cover lost earnings for the duration of the courses. Source: Statsregnskabet for finansåret 1985.
4. No data available.
5. Source: Statsregnskabet for finansåret 1990.
6. Specification does not exist. Open Education started 1990
7. Source: Statsregnskabet for finansåret 1995 §§ 20.12.22 og 20.12.23
8. Source: Beretning om statslig erhvervsrettet efteruddannelse 16/96, De af Folketinget Valgte Statsrevisorer, p. 29 and 36.
9. Source: Statsregnskabet for finansåret 1996.

The total level of direct state funding of CVT in 1996, including capital spending, was DKK 3,680 million. In addition to the subsidies for participants indicated in the table, unemployed persons participating in CVT may receive additional direct cash support or daily subsistence payments (for unemployed persons). These expenses are included in Part 4 of this report (Training for the Unemployed).

The decisions concerning the level of expenditure in the different areas are made through specific laws which govern each area, and through the adoption of the Bill of Finance. The financing principles have changed from fixed framework subsidies for each area to

financing through the "taximeter principle". This principle means that a certain rate – determined in the Bill of Finance – is triggered for each single course participant. Thus, the total level of financing is no longer directly determined in the Parliament or in the responsible ministries. The total expenditure is now directly determined by the level of activity, which is set by the users of CVT.

The financing of state expenses for CVT is not provided via income taxation but through the "gross tax" or labour market contribution (arbejdsmarkedsbidrag). All employed persons in Denmark must pay 8% of their income before various tax-deductibles are subtracted. Persons receiving some type of social subsidy do not pay this tax. The total state income from this tax was DKK 56 billion in 1996. The income is divided into three state funds:

- The daily allowance fund (DKK 31 billion).
- The activation fund (DKK 13 billion).
- The sick pay fund (DKK 12 billion).

The activation fund finances state adult and continuing training and education. The level of the labour market contribution does not change in accordance with the state's expenditures.

Companies (public and private)

The public and private companies' direct expenses for continuing education and training are illustrated in the table below.

Table 3.2: Private and public companies' CVT expenses (million DKK million, ECUs in brackets, estimates)

	1985	1990	1995	1996
Direct costs	2799 (371.2)	3707 (491.6)	4346 (576.4)	4544 (602.7
Index	100	125	155	162

Sources: Rapport fra udvalget om voksen- og efteruddannelse, Finansministeriet, 1994, p. 49 and Bilag 2, p. 2-4; Statistisk Tiårsoversigt 1997, Danmarks Statistik, p. 120; information from various course suppliers.

The figures are estimated on the basis of a larger survey, which was carried out in 1993, where private companies' expenses for continuing training were charted. It is assumed that the share of public and private companies' expenditure (measured as a share of the total wage sum) was roughly the same in 1985, 1990, 1995 and 1996. Thus, the figures are calculated on the basis of the 1993-survey. This assumption is not entirely unproblematic, so the figures should be interpreted cautiously. In addition, the survey only included firms with more than five employees. Thus, the actual level of expenditure is probably slightly higher than indicated in the table. However, these are the only figures available.

Individuals

In Denmark there are no aggregate accounts of individual spending for CVT. There are user fees for Open Education and for CVT offered by private companies. In 1996 the total level of user fees for Open Education was DKK 257 million.

Part of the user fees are, in reality, paid by the participants' employers - which means that they have already been included in the section above. Another share of the user fees is paid through state subsidies for unemployed, which is included in Part 4 (Training for the unemployed) of this report.

3.2.2 Indirect sources of funding

The state has some indirect expenses on CVT, since companies may tax-deduct expenses for continuing education and training. However, according to the Danish Customs and Taxation Authority, no data are available which show how much Danish companies deduct. Private citizens can not tax-deduct investments in education.

As mentioned in Part 2 concerning IVT, the vocational colleges may carry out various, specific activities financed directly for companies. This is also the case with the AMU-centres. These activities are primarily courses bought by employers or by public authorities as part of the programmes for the unemployed. If the AMU-centres achieve a financial surplus from these activities, it can be spent on the labour market training courses. There are no accounts of the value of these activities.

In addition, the public and private companies have some indirect costs in connection with CVT. The Committee for Adult and Continuing Education has calculated an estimate of these indirect costs based on a survey carried out in 1993 (mentioned above). The indirect costs primarily consist of wages and wage subsidies as a supplement to the publicly financed support for participants. Again, it is assumed that the share of public and private companies' expenditure (measured as a share of the total wage sum) was roughly the same in 1985, 1990, 1995 and 1996. Thus, the figures are calculated on the basis of the 1993 survey. Again, the figures should be interpreted cautiously.

Table 3.3: Indirect costs for CVT (million DKK, ECUs in brackets)

	1985	1990	1995	1996
Indirect costs	2,647 (351.1)	3,514 (466.0)	4,122 (546.7)	4,305 (571.0)
Index	100	133	156	163

Sources: Rapport fra udvalget om voksen- og efteruddannelse, Finansministeriet, 1994, Bilag 2, p. 2-4 and Statistisk Tiårsoversigt 1997, Danmarks Statistik, p. 120.

Companies also suffer a loss of production when their employees are absent due to participation in CVT: there are no accounts of these expenses.

Finally, individuals contribute to CVT through indirect funding e.g. travel expenses, books or other educational material. Individuals also contribute, when there is no subsidy covering lost earnings, or when the subsidy is less than the normal wage of the individuals. There are no accounts of these expenses, either.

3.2.3 Total levels of funding

The total level of funding for CVT in Denmark builds on the figures presented in the sections above, and is shown in the table below.

Table 3.4: Breakdown of total CVT expenditures (million DKK, ECUs in brackets)

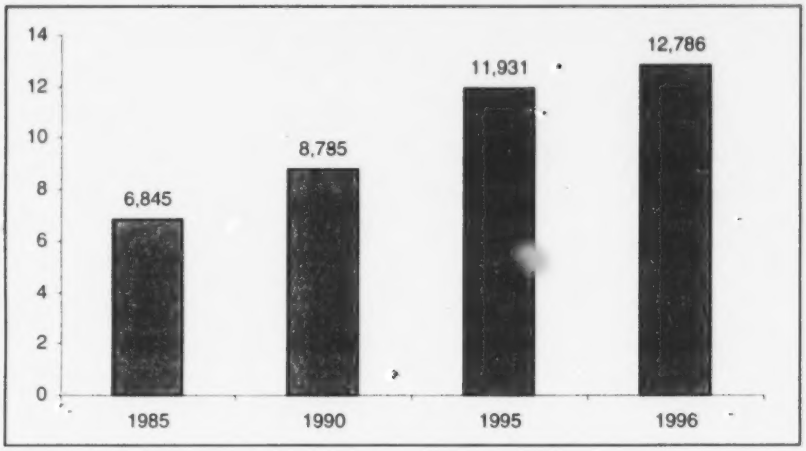
	1985	1990	1995	1996	Percent (1996)	Percent of GDP[2] (1996)	Per capita, DKK[3]
Direct state costs	1,399 (177.6)	1,564 (207.4)	3,463 (459.3)	3,680 (488.1)	29%	0,36%	701 (93.0)
Direct costs for work places (public and private)	2,799 (371.2)	3,707 (491.6)	4,346 (576.4)	4,544 (602.7)	36%	0,45%	865 (114.7)
Direct individual costs (users fees, Open Education)[1]	0	-	-	257 (34.1)	2%	0,03%	49 (6.5)
Indirect costs for work places (public and private)	2,647 (351.1)	3,514 (466.0)	4,122 (546.7)	4,305 (571.0)	34%	0,42%	820 (108.8)
Total	6,845 (907.8)	8,785 (1,165.1)	11,931 (1,582.4)	12,786 (1,695.8)	101%	1,26%	2,435 (322.9)
Index	100	128	174	187			

1. Open Education started 1990. Figures for 1990 and 1995 do not exist. Source (1996-figure): Beretning om statslig erhvervsrettet efteruddannelse 16/96, De af Folketinget Val-gte Statsrevisorer, p. 41.
2. Danish GDP (bruttonationalprodukt i markedspriser) was DKK 1,014 billion (134.5) in 1996.
3. The Danish population was 5.251 million in 1996.

The direct costs are estimated at DKK 8.5 billion in 1996, plus an unknown share of the DKK 0.48 billion received from the EU, plus an unknown amount used for CVT by private individuals, minus part of the users fees on open education, which is also included in the direct costs for workplaces or in the state subsidy for unemployed.

The indirect costs of CVT are estimated as DKK 4,305 million plus an unknown figure constituted by loss of tax income, plus an unknown figure corresponding to the loss of production. The comparison between direct and indirect costs in connection with CVT is rather uncertain due to the lack of figures. This implies that it can only be said with certainty that the total level of funding for CVT in 1996 was at least DKK 12.8 billion. The total CVT expenditure constituted 1,25% of GDP in 1996, amounting to DKK 2,388 per capita.

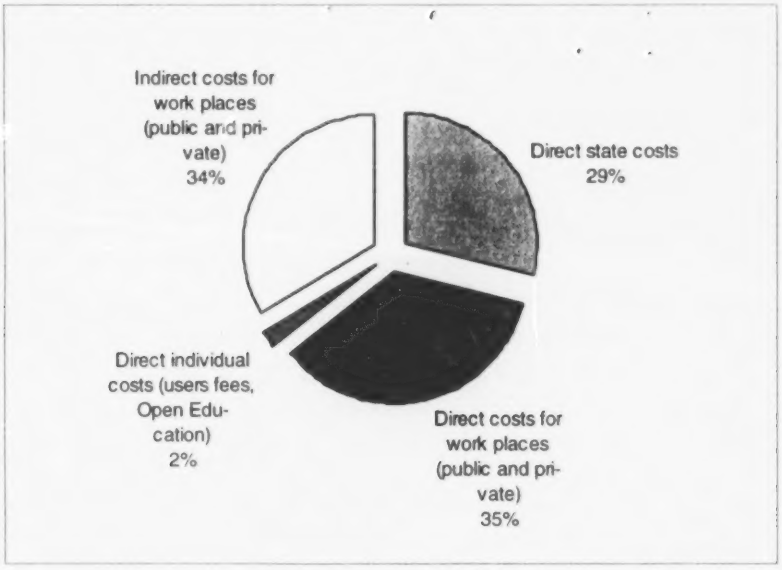
Figure 3.3: Development in CVT expenditure (million DKK)



The figure above displays the development in total CVT expenditure, which has significantly increased from DKK 6,845 million in 1985 to DKK 12,786 million in 1996.

In addition, the figure below shows how CVT expenditure is distributed between the various sources of funding. It is clear that the total indirect and direct funding from public and private work places constitute the main source of CVT funding.

Figure 3.4: Distribution of CVT funding


Indirect costs for work places (public and private) 34%
Direct state costs 29%
Direct individual costs (users fees, Open Education) 2%
Direct costs for work places (public and private) 35%

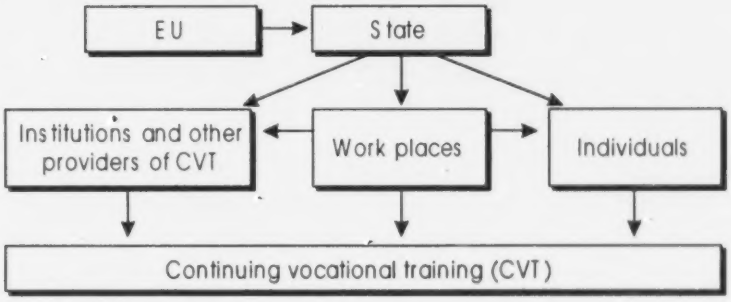
Due to the high degree of mobility between the various types of educational programmes within CVT, it is not possible to clearly specify which share of total spending is spent on persons with certain educational backgrounds. Thus, relating CVT expenditure to ISCED (International Standard Classification of Educational Development) levels is not possible.

3.3 Financing distribution mechanisms

3.3.1 An overview

As shown in section 6.2 there are a number of different sources of funding. This also means that there are a corresponding number of different types of distribution mechanisms. The figure below provides a rough overview.

Figure 3.5: The main distribution mechanisms



In the following, the distribution mechanisms for the most central areas of CVT will be discussed.

3.3.2 The publicly financed supply of CVT

Firstly, the area of CVT in Denmark consists of a public supply with a high level of subsidisation through taxes and the earmarked labour market contribution, as well as a number of additional (general) public subsidies. Secondly, a range of CVT opportunities is provided by the private sector.

The allocation of funds for the publicly financed supply used to happen through framework subsidies, where the various areas of activity were provided with a certain amount which had to be used for achieving more narrowly defined activity targets. Today the allocation of funds is governed by the taximeter system of financing. This system means that a specific rate is triggered for every student following a CVT type course. Thus, the total level of financing depends upon the number of participants in the individual educational programmes. Since 1997, 99% of all state-funded CVT activities are financed through taximeter subsidies. The Labour Market Authority distributes the taximeter subsidies within the AMU system, while the Ministry of Education is responsible for the areas of open education and adult vocational training (VEUD). The subsidies are in practice paid as lump sums, which means that the individual institutions may dispose freely over the provided amount. They may independently determine how to allocate the sum for education, research, administration, maintenance, capital expenditures, etc. The introduction of a system based on the taximeter principle, combined with free access to educational programmes, was motivated by a desire to increase the incentives and possibilities for the individual institution to adjust its supply to local needs, and thus to ensure a more effective allocation of resources. In this way the AMU system has developed in a more demand-

driven direction. The development does not involve subsidies to individuals for buying courses, but the courses are generally free of charge. Individuals only receive state subsidies covering lost earnings during the courses.

More specifically, the Ministry of Labour places the various labour market training courses in a number of groups. Each group of courses is assigned a particular taximeter rate. The rate determines the level of the subsidy which one student following a course for one week triggers for that specific individual labour market course. The Ministry of Labour determines the exact level for each group in accordance with the level of expenditure for the courses in question. The Ministry of Labour determines the level yearly on the basis of a recommendation of The National Labour Market Council (Uddannelsesrådet for Arbejdsmarkedsuddannelserne), which includes members from different labour market organisations. The individual taximeter rates are listed in the Bill of Finance and the specific level of the rates is calculated on the basis of the costs connected with each of the educational elements included in the specific educational course.

The different types of courses within open education are also placed in certain taximeter groups. The only difference, compared with labour market training, is that the level is determined by the Ministry of Education. In addition, the level is not set through concrete calculations, but through an estimate of the actual costs. 20-50% of the operating costs of open education is paid through tuition fees although the exact level varies from course to course.

3.3.3 The privately financed supply of CVT

The distribution of financing for CVT offered by private firms and for CVT undertaken within individual workplaces is much more complex than within the public sector. However, a survey from 1994 (Rapport fra udvalget om voksen- og efteruddannelse, Finansministeriet, 1994) shows:

- there is a variation between different sectors as to how much is spent on privately supplied CVT. The private service sector uses the largest share of the total wage sum, while the construction sector spends the least. The production sector and the public sector use the same share.
- the resources spent on privately supplied CVT are spent on the companies' key personnel (managers, specialists and CEOs). Other functionaries as well as skilled and unskilled workers, primarily receive continuing training through internal (company) courses and public financed courses. The share of companies giving privately supplied CVT to their managers was 69% in 1992. The same figure for CEOs was 55% and for unskilled workers 33%.
- there is a clear connection between the degree of institutionalisation of personnel and educational planning and the level of investment in privately supplied CVT. The share of companies giving privately supplied CVT to their employees, is significant when the company has a personnel section, when the company has an entry on the budget for CVT, and when the company has a written plan for education.

- the large companies allocate relatively more resources for privately supplied CVT than small- and medium sized enterprises (SME's). See figures below.

Table 3.5: The share of companies giving privately supplied CVT to their employees in 1992

Employees	Share
5-9	62%
10-19	72%
20-49	76%
50-99	83%
100-199	89%
200-499	93%
500-999	98%
1000 ≤	100%
Total	80%

As mentioned above, any institution which meets certain specific criteria, may offer labour market training courses and receive state subsidy. The criteria concern the need for a specific course in a specific geographic area with certain guarantees for quality concerning teachers, classrooms, canteen etc. However, it is difficult to meet the criteria without being an established training institution. For this reason, 98% of the labour market training courses are provided by AMU centres and vocational colleges. It is difficult for private providers of CVT to compete with institutions receiving state subsidies, and the private companies providing CVT are a supplement rather than a competitor to the AMU centres and the vocational colleges.

3.4 Overall conclusions

Publicly financed continuing vocational training plays an increasingly important role in Denmark. The social partners are involved at different levels in this structure and play an important role.

The introduction of free access and the taximeter system of financing in the labour market training programmes has led to a more demand-driven supply of labour market training schemes although the subsidy is not given directly to the individual and the Ministry of Labour still has the authority to refuse specific courses if they can not meet certain criteria.

Even though publicly financed CVT is important, the figures show that the workplaces finance a significant part of continuing vocational training. Based on estimates, the workplaces finance approximately two thirds of the expenses for continuing vocational training.

4. Training for the unemployed

This part of the monograph focuses on training for the unemployed, which can be broadly described as training for people who currently are excluded from the labour market. A more exact definition is provided below.

4.1 Background

This section briefly describes the political, legislative and administrative background in relation to training for unemployed, with particular emphasis on the overall trends which can be identified in this area.

In October 1995 the Danish Government proposed "Denmark's Employment Programme" (Danmarks beskæftigelsesprogram) which followed a reform of the labour market in 1994. The employment programme sets out the main features of an active employment market policy. This represented a change of approach in the treatment of the unemployed. With this change, greater priority was given to skills training courses for the unemployed with an emphasis on quality, co-ordination and scope. Thus, a key element of the programme was to improve the quality of training and raise qualification levels. The aims were as follows:

- Unemployed persons receiving social security allowances were to be activated, through job training or training in general, after a maximum of two years.
- Everybody under the age of 25 receiving social security allowances with low level skills must be working or in training after a maximum of six months unemployment.
- Everyone in the employment market must have the opportunity to take part in adult education and continuing training so that they can retain their place in the employment market and ensure that their companies have well-qualified staff.

The effect of the various activation instruments has been uneven. Job training has had a greater impact than other training. To date, experience has shown that private job training is the best tool for reintegrating the unemployed.

There are 14 Regional Labour Market Councils (Regionale Arbejdsmarkedsråd, RAR) which decide which activation tools are to be used. The reform that began in 1994 is an expression of the regionalisation of employment market policy.

4.1.1 Definition

Training for the unemployed is understood as training for people who are currently excluded from the labour market. In the Danish context, training for the unemployed includes the following employment market instruments:

- Activation offers for young unemployed (aktiveringstilbud).
- Labour market training courses (The AMU system).
- Adult training programmes (voksenerhvervsuddannelsesforløb, VEUD).
- Job training (jobtræning).

- Job pooling (puljejob).

Activation offers for unemployed (aktiveringstilbud)

This scheme can encompass regular training, special training courses at vocational colleges or AMU centres, and education at production schools or folk high schools. Activation offers for the unemployed are financed by the public employment service (AF) for insured persons and by the municipalities for persons who are not insured. Activation offers are targeted primarily at young people (under 25), who are:

- recipients of daily subsistence.
- who have been unemployed for more than 6 months.
- who do not have an education giving the necessary qualifications to get a permanent job.

The courses last 18 months, during which the students receive a state educational grant (SU), apprenticeship salary (elevløn) or 50% of the state educational- and course subsidy which is a special grant that is used for continuing training as a compensation for loss of income. By the end of 1996, 3,000 young persons were engaged in this type of education.

AMU courses

The local public employment agencies (arbejdsformidlinger, AF) may buy education for their clients from the providers of labour market courses (AMU courses). Before 1997 AF bought a significant amount of labour market training courses from the AMU-centres. In 1996 AF bought more than 30% of all courses provided by the AMU-centres. There is no figure showing the part of labour market training courses taking place in vocational colleges which were bought by AF. In 1997 free access to labour market training courses was introduced, therefore AF is now only paying for courses, which are specially developed for them. AF is still using the standard courses as well as specially developed courses, but AMU centres and vocational colleges are only getting paid for the latter.

Adult training programmes (voksenerhvervsuddannelsesforløb, VEUD)

These are programmes that are shorter than traditional courses. VEUD is vocational training for adults over 25, with certain special elements. Only 5% of the participants are unemployed. VEUD programmes are organised as sandwich courses, and are comparable to the initial vocational training programmes, since VEUD participants achieve the same vocational qualifications. However, VEUD is distinguished by the following factors:

- Participants are paid their normal contractual salary.
- A special subsidy of DKK 35 per hour is provided for the training institutions that offer VEUD as compensation for the higher wage expenses compared to young apprentices.
- The duration of courses may be reduced depending on the participants' prior vocational experience.
- The public employment agencies support these programmes with DKK 25 per hour.
- Job training (jobtræning).

Unemployed people may be placed in job training at both private and public employers. Salary and work conditions have to be contractual or in accordance with the usual norms within the particular job sector. The salary in public work training can be up to DKK 86,31 per hour (1. April 1997). The minimum wage in Denmark is about DKK 63. Private employers, who hire an unemployed person for job training, receive a wage subsidy of DKK 47,46 per hour (1. January 1998). Public employers receive a subsidy up to app. DKK 86 per hour. If the period of subsidy is more than six months, private employers must either hire the unemployed person (under normal terms) or offer the unemployed training for a period of minimum 1/12 of the total job-training period.

Unemployed persons, who are not able to participate in job training at ordinary work places, have the option of participating in special job training programmes. In this case, the salary is called a project subsidy and is usually lower than for job training. The subsidy for the employer can, as opposed to ordinary job training, be higher than DKK 46 per hour, and the duration of the subsidy may be longer than one year.

Job pooling (puljejob)

The aim of this government initiative is to strengthen the qualifications of the unemployed to enter a non-subsidised job while increasing the service level in the public sector at various levels. These jobs are 90% state financed, while the public institution only covers 10% of the extra wage costs.

4.1.2 Overall development in administrative and financial principles

The positive development in the labour market since the middle of 1994 has been characterised by a continued rise in employment and a falling unemployment rate.

An active employment market policy

The labour market reform was implemented in 1994 on the basis of the Act on Active Employment Market Policy (Lov om aktiv arbejdsmarkedspolitik, 1993). The objective was to ensure an effective and well-functioning labour market through an active labour market policy. The focus is directed at persons seeking an education or a job or at either public or private employers.

The central elements of the reform are highlighted below. The active employment market policy encompassed:

- An increased focus on the continued qualification of the labour force, combined with flexibility and individualisation.
- A wide-ranging reform of the administrative system. The responsibility was regionalised to 14 Regional Labour Market Councils, which consist of representatives of the social partners, the local municipalities (kommuner) and the regional counties (amter). In co-operation with AF, the aim of the Regional Labour Market Councils is to plan and implement employment market initiatives in the region. In spite of this decentralisation, the Minister of Labour and the National Co-operation Council (Landsarbejdsrådet, see below) still influence regional policy through general targets for development and efficiency. However, the regional councils individually decide which methods and

instruments should be utilised in order to reach the desired national and regional objectives.

- Introduction of a 'needs principle' in connection with activation of the unemployed which means that any action is determined according to the unemployed persons individual needs.
- Activation of groups at risk of long-term unemployment early in their unemployment period, combined with activation of particularly weak groups, i.e. long-term unemployed or unemployed with poor qualifications.
- Development of "Individual Action Plans" for the unemployed prior to offering them specific activation schemes.
- Introduction of leave schemes, which provide opportunities for job rotation (see Part 5).
- An increase in the effort to provide adult and continuing training (see Part 3).

As mentioned earlier, a special scheme for young people under 25 was introduced in 1996, and at the same time an increased effort was made to strengthen the various programmes for the unemployed in the light of the labour market reform. The activation initiative had a more significant effect in 1996 than in 1995 in integrating young unemployed people into the labour market.

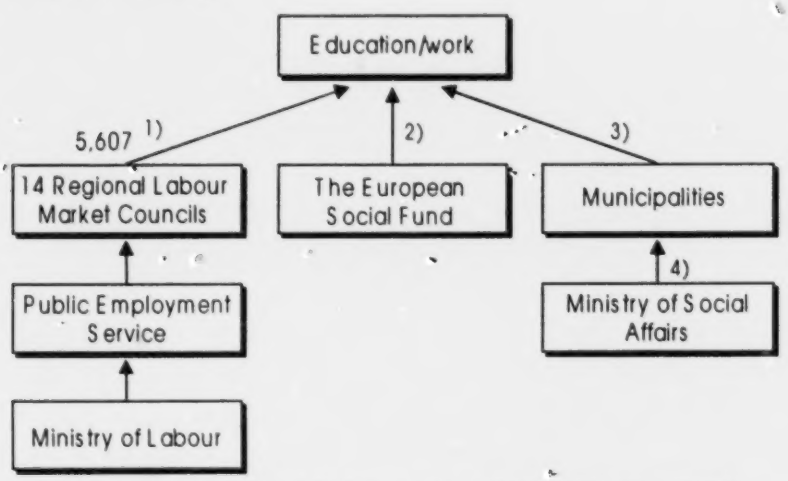
Table 4.1: Youth unemployment rate (16-24 years)

	1994	1995	1996
Unemployment rate	11,0	8,5	6,5

4.1.3 Financial flows

The figure below indicates the overall sources of financing for training for the unemployed. The following section provides a more detailed account of the direct and indirect sources of financing.

Figure 4.1: Sources of financing for training for the unemployed 1996 (million DKK, ECUs in notes)



1. Total financing from the 14 RAR amounting to DKK 5,607 million (743.6).
2. Objective 3 funding of the ESF, totalling DKK 480 million (63.7). However, these resources are used on both CVT and training for the unemployed. Unfortunately, figures on the relative distribution are not available. Nor are figures available that show how much is spent specifically on vocational training. As a consequence, the amount has been left out of the figure.
3. The municipalities contributed DKK 728 million (96.5) to the activation offers for unemployed who are not insured.
4. The state reimburses 50% of the municipalities expenses to activation offers for unemployed who are not insured amounting to DKK 364 million (48.3) in 1996.

4.2 Financing of training for the unemployed

4.2.1 Direct sources of financing

Funding for training for unemployed is only provided in a direct manner. There are no significant indirect sources in relation to this training area.

The public sector - central level

A stable consensual financial framework has been established for the employment service (AF) system for 1994-97 through the Bill of Finance. This came about through an agreement between the Ministry of Labour and the Ministry of Finance. For 1994-1997 a number of additional earmarked funds for investment in information technology have been added. From 1996, supplementary funding has also been provided for the extra expenses incurred by a change in the "Act on an Active Employment Market Policy".

This latter supplementary is given directly to the administration of the 14 regional AF offices. In accordance with the law on an active employment market policy, a financial item is set up in the Bill of Finance, and is distributed partly to a central labour market fund and partly to the 14 Regional Labour Market Councils. In 1996, DKK 5,918 million of the total regional activation subsidy was used. In addition, certain funds were directed to long-term job pooling in 1996. The expenditure for this scheme was DKK 287 million in 1996. This means that a total of DKK 6,205 million was used for the active employment market policy

in 1996. From this sum expenses for entrepreneur allowance (etableringsydelse) should be subtracted, which is given to unemployed persons who wish to establish their own enterprise.

These expenses are not directed at educational programmes, and are beyond the aim of this portrait. That means that the total public sum used for the AF system of educational activation of the insured unemployed is DKK 5,607 million in 1996. This figure does not include expenses for educational leave, because the scheme will be dealt with in Part 5 (combined vocational training). In addition to the sum above local and regional net wage expenses for job pooling and job training should be added.

Table 4.2: Public funding for the AF system of activation 1985-1997 (million DKK, ECUs in brackets)

	1985	1990	1994	1995	1996	1997
Wage subsidies[1]	1,963 (260.3)	1,892 (250.9)	887 (117.6)	1,577 (209.2)	1,094 (145.1)	1,878 (248.1)
Educational subsidies[1]	31 (4.1)	1,393 (184.7)	210 (27.9)	886 (117.5)	2,076 (275.3)	1,925 (255.3)
Entrepreneur allowance[2]	5 (0.7)	524 (69.5)	97 (12.9)	370 (49.1)	598 (79.3)	643 (85.3)
Purchase of training, etc. (Labour Market Funds in general)	223 (29.6)	209 (27.7)	537 (71.2)	1,481 (196.4)	2,149 (285.0)	1,757 (233.0)
Job pooling	-	-	-	-	287 (38.1)	1,343 (178.1)
Total (excluding entrepreneur allowance)	2,222 (294.7)	4,018 (532.9)	1,634 (216.7)	3,944 (523.1)	5,607 (743.6)	6,903 (915.5)
Index	100	180	74	177	252	310

1. Wage subsidies is given to employers whereas educational subsidies is an educational grant given to the student.
2. The Entrepreneur Allowance is not related to education or training, and is therefore beyond the objective of this Portrait.
3. Note: The 1994-1996 figures are actual net expenses, while the 1997 figure is stated in the Budget, including transfer of surplus funds from 1996.
4. Note: The job pooling scheme was not a part of the activation fund before 1997. However, the table includes the job pooling scheme in the 1996-context in order to ensure comparability.
5. Source 1994-1997: Annual report from the Danish Labour Market Authority 1996 (Arbejdsmarkedsstyrelsens årsberetning).
6. Source 1985-1990: Statsregnskabet 1985 og 1990.

This development in public spending on training for the unemployed could seem to be somewhat of a paradox. While unemployment has decreased significantly due to the positive economic climate in recent years (as illustrated in Part 1), public funding for training of

the unemployed has risen dramatically. However, one can point to a number of explanations for this development:

- Higher training costs per person. As increased numbers of unemployed people find jobs, those who remain unemployed can usually be characterised as long-term and relatively weaker unemployed persons. Until recently, these groups were not directly targeted within the public activation effort. However, they usually require longer and more intensive effort in terms of activation and training. This raises the training cost per person significantly, and contributes to a higher overall level of funding for training the unemployed.
- Statistics. Increased training costs automatically lead to a drop in unemployment – statistically speaking. As mentioned in part 1, unemployed persons undertaking training are not counted statistically as unemployed. Therefore, increased training costs, which are caused by an increase in the number of unemployed persons undertaking training, creates an artificial reduction in unemployment.
- A higher level of administrative costs. The increased emphasis on activation involves a higher level of fixed costs due to the new and more intensive level of training for the unemployed. So while unemployment might fall, fixed administrative costs for the activation system remain at a higher level than previously.
- The increasing expenses are also connected to increased activation of the unemployed. Thus the state has been willing to accept higher costs in order to push the unemployed into activation schemes and educational training schemes.

Taken as a whole, these four factors contribute to explaining what otherwise seems to be a paradox.

The public sector - local level

The municipalities are responsible for the activation of unemployed persons who are not insured against unemployment and who are thus not part of the AF system. The municipality operational costs up to a margin of DKK 9.618 per activated unemployed are reimbursed by 50% from the Ministry of Social Affairs. Municipality expenses exceeding this margin are not reimbursed. In addition to operational expenditures, each activated person receives various forms of supplementary payments. As this is not part of the scope of this report it is excluded.

In 1996, the municipalities spent DKK 728 million (96.5) on the activation of the unemployed, who were not insured, of which 50% was reimbursed by the state. However this figure does not include the municipality financing that exceeds the margin of state reimbursement. There is no figure available that shows how much is spent by the municipalities above this margin.

Private companies

Private companies normally pay the unemployed, that are engaged in job training, the difference between the state subsidy and the maximum daily subsistence rate. However, this is not mandatory. In the job-pooling scheme this amount constitutes only 10% of the maximum daily subsistence rate. There are no accounts of the companies' expenditure on

this. The private companies' contribution can be considered in the same way as apprenticeship wages, i.e. it is payment for a service and not for training.

The European Social Fund

The European Social Fund (ESF) is one of the three structural funds of the European Union (EU). The overall objective of this fund is to ensure greater social cohesion and prosperity within the Union. The Social Fund supports the development of human resources as a means to increase the prospects of employment for both the unemployed and for persons in risk of unemployment. In Denmark the activities of the fund form part of the active labour market policy. ESF interventions in Denmark can be distinguished from the national labour market system since both the financing and the administration are separate from the rest of the system. Within the various programmes, the ESF may finance up to 50% of the expenses for training and education. The allocation of ESF funds is determined on the basis of application from training institutions.

The administration of the ESF activities varies in Denmark according to support the Objectives. In relation to Objective 3, which is financially the most important support programme in Denmark, the RAR and the social administration at local (municipal) level are strongly represented in the regional ESF boards. These boards develop and evaluate the annual ESF plans, formulate the principles for project priorities, and monitor implementation. Funds are allocated from the European Commission to the Labour Market Authority (Arbejdsmarkedsstyrelsen, AMS) and to the units which administer the individual projects.

Assistance from the ESF constituted approximately DKK 480 million in 1996. In addition, a number of other community initiatives are carried out. However, these resources are used on both CVT and training for the unemployed. Figures on the relative distribution are not available. In addition, no specific figures are available for expenditure on vocational training and education. As a consequence, this amount has been left out of the total level of funding.

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4.2.2 Total level of financing

Building on the figures above, the total level of financing for training for the unemployed is displayed in the table below:

Table 4.3: Total level of funding for training for the unemployed, 1996 (million DKK, ECUs in brackets)

	1985	1990	1994	1995	1996	1997	Per-cent (1996)	% of GDP[2] (1996)	Per capita[3] (1996)
Public financing - Central level	2,222 (294.7)	4,018 (532.9)	1,634 (216.7)	3,944 (523.1)	5,607 (743.6)	6,903 (915.5)	88,5	0,55	1,068 (141,0)
Public financing - Local level	N/A	N/A	N/A	N/A	728 (96.5)	782 (103.7)	11,5	0,07	139 (18.4)
Total spending[1]	2,222 (294.7)	4,018 (532.9)	1,634 (216.7)	3,944 (523.1)	6335 (840.1)	7685 (1019.2)	100	0,62	1207 (159.4)
Index	100	180	74	177	285	346			

1. Not including contributions from ESF.
2. Danish GDP (bruttonationalprodukt i markedspriser) was DKK 1,014 billion (134.5) in 1996.
3. The Danish population in 1996 was estimated to 5.251.000 (Source: Danmarks Statistik 1997).

The total level of funding for training for the unemployed was DKK 6.335 million in 1996, which constitutes 0.62% of GDP.

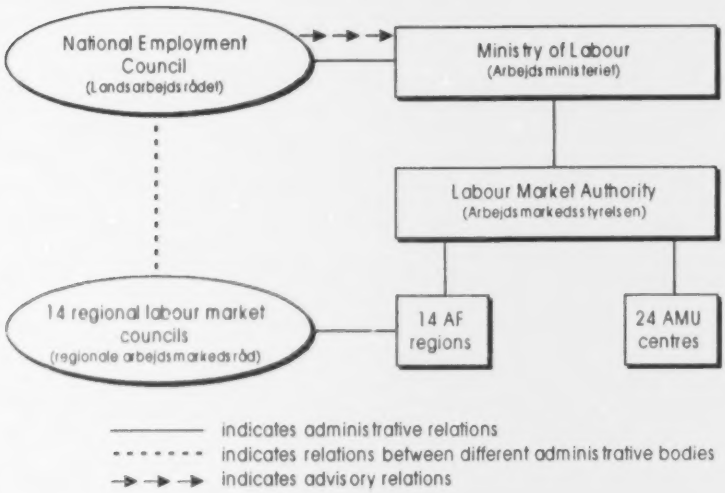
4.3 Distribution mechanisms

4.3.1 The Budget item for employment market initiatives

Administration of the labour market policy

The practical administration of AF is undertaken by AMS through a system of general frameworks and objectives, and with a significant delegation of tasks to the regional level. The social partners participate through special tripartite bodies. The public employment service is organised into 14 regions – one per county. In each region a Regional Labour Market Council is set up, where the social partners and the local and regional authorities are represented. At the national level there is a National Employment Council (Landsarbejdsrådet, LAR), which advises the Minister of Labour and which contributes to the development of the overall employment market policy.

Figure 4.2: Administration of training for insured unemployed persons



The funds, that are controlled by AF and RAR, are used to purchase training courses (individual places in courses), for financing wage expenses for job training at private companies or in local or regional public institutions, and for rotation projects in private companies.

Originally, the individual regions were to be allowed to transfer surplus funds from one year to the next, but due to a large discrepancy between the budget and the sum actually used in 1994, the Ministry of Finance decided to withhold the surplus as part of the Bill of Finance agreement in 1995.

The total budget for activity-promoting measures in 1995 was DKK 9,357 million (of which a smaller part was directed at education and training). This budget consists of a number of sub-items (RAR dispose of a certain share). The budget has the following sub-items:

1) Activation funds for RAR, used for:
   a) Purchase of training programmes.
   b) Educational subsidies for unemployed over 25 years of age in connection with beginning an education within the ordinary educational system.
   c) Entrepreneurial allowance for unemployed who wish to establish their own enterprise.
   d) Financing of wage subsidies for job training at public and private employers (that is, the first DKK 43 per hour of the salary for unemployed persons engaged in job training).
2) Regional, local and state net wage expenses for work offers and job training (from DKK 43 per hour up to full salary including pension); these net expenses are not listed in the Budget, since the sum is included as part of the budgetary co-ordination between the state and the regional and local authorities.

3) Funds distributed in advance for the state institutions' expenses for job training; these funds are listed as part of the state institutions' subsidies in the Budget.

In addition to these funds, which are allocated in accordance with the "Act on an Active Employment Market Policy", there are two additional sources, which increase the total funds available. Firstly, unemployed persons have the right to engage in training during the day or in the evening while they receive their daily subsistence payments. Secondly, the unemployed may – in accordance with the Act on Educational Leave (lov om uddannelsesorlov, 1993) decide to participate in approved public education for up to one year. The unemployed receives a subsidy during this period amounting to the maximum daily subsistence payment.

4.4 Overall conclusions

This section has concentrated on the financing of vocational training for the unemployed. The section shows that there are only direct sources of funding in this area. In addition, it is characteristic that the area of training for the unemployed has been significantly decentralised with the Act on active labour market policy. Public funding clearly dominates the area, which gives only little incentive for others to contribute. The European Social Fund (ESF) also provides funds for the training of unemployed. However, the amounts donated are not very transparent, which makes it difficult to be specific about the level of subsidies for training arrangements.

5. Combined training programmes

5.1 Introduction and background

5.1.1 Background

There is no long tradition for combined training programmes. Of course, every company has been able to combine an employees need for continual vocational training with an unemployed persons need for job experience by recruiting them temporarily, while a member of permanent staff improves his or her qualifications. It is only in resent years, national programmes for combining different goals in the CVT-area have been introduced.

5.1.2 Legislative developments

In 1992, the first education and training leave programmes were introduced. It was possible for individuals to choose child care leave or educational leave, with a sabbatical subsidy from the state for a certain period of time. The subsidy corresponded to 80% of the highest level of unemployment benefit. It was a condition, that the employer approved the employee's leave and hired an unemployed replacement in the same period.

The legislation on "leaves" was changed in 1993, 1994 and 1995. Today the subsidy corresponds to 100% of the highest level of unemployment benefit, for educational leave. It is no longer a condition, that the employer approve the employee's leave and hire an unemployed person. Child care leave was also changed and a sabbatical leave was introduced.

5.1.3 Administrative developments

At the administrative level, the Ministry of Labour has been responsible for leave programmes since the beginning in 1992. The Labour Market Authority under the Ministry of Labour administers the programmes, and the subsidy is paid from unemployment funds (arbejdsløshedskasserne).

5.2 Definitions

Combined training programmes are interpreted as schemes which cross-traditional training boundaries. This includes:

- Job rotation.
- Educational leave.

5.2.1 Job rotation

Job rotation is one way to combine the continuing education and training of employed persons with job training for the unemployed. Job rotation is defined as an agreement between one or more employees and their employer and that an unemployed person will replace the employees while they attend an educational programme. The state can promote job rotation by making it attractive to hire unemployed persons, and by making it attractive for employees to leave their work place for a while. There are no formal job rotation schemes in Denmark, but it is possible to combine other schemes in order to create a form of job rotation with an educational element. The Danish government has established schemes, which make it more attractive to hire unemployed, as described in part 4 (job training) of this portrait. In addition, certain schemes have been introduced, which make it more attractive for employees to leave their work place temporarily.

5.2.2 Educational leave

The educational leave scheme is closely linked with the issue of combined training programmes. The scheme provides the opportunity for individuals in the labour market to engage in continuing training and education. Meanwhile, unemployed persons may gain temporary employment by replacing some of those persons taking educational leave. This dual objective of qualifying the labour force and creating employment opportunities constituted the political motivation behind the introduction of a sabbatical subsidy.

Initially, only employed persons were intended to have access to educational leave, and it was required that their positions had to be filled when those persons started their leave term. This implied that the scheme in reality was a job rotation scheme. However, the requirement that the position had to be filled was removed in 1994, and unemployed and private entrepreneurs were given access to educational leave. These changes meant that the average participation in educational leave increased from 12,272 in 1994 to 32,505 in 1995 and 31,412 in 1996. However, the total number of persons engaged in educational leave during one year is higher than the overall average. Thus, a total of 75,146 persons were engaged in educational leave in 1996. The educational leave scheme is the most popular of the three leave schemes. Persons who started educational leave in 1996 constituted more than 60% of the total number of persons using a leave scheme.[1] The other 40% started child care leave or sabbattical leave.

Due to a number of reasons, educational leave does not entirely constitute a combined programme with a dual focus on vocational training:

- Firstly, unemployed persons may engage in educational leave. Naturally, this does not generate job rotation. In 1996, 47% of the persons who began educational leave were already unemployed[2].
- Secondly, not everyone in employment are replaced by an unemployed person. The replacement effect is 58% in public work places and 41% in private companies[3].

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[1] Håndbog I Dansk Politik 97, Ib Garodkin, s. 105-106, Statistisk Tiårsoversigt 1997, Danmarks Statistik s. 48, Arbejdsmarkedsstyrelsens Årsberetning 1996, s. 61.

[2] Arbejdsmarkedsstyrelsens Årsberetning 1996, s. 61.

- Thirdly, only a part of the persons engaged in educational leave chose to follow vocational education and training. In 1996 this share was 60%[4].

5.3 Sources of funding

5.3.1 Direct sources of funding

The expenses for educational leave are financed by the state through the employment market contribution (arbejdsmarkedsbidrag), which is paid by people in employment, and constitutes 8% of the gross salary. See part 3 (Direct sources of funding, The state) for additional information. The money is distributed to three funds, including to the Activation Fund (Aktiveringsfond), which is partly used for funding educational leave. Total state expenses for educational leave in 1996 were DKK 3,683 million[5]. For full-time insured persons belonging to an unemployment benefit scheme, the sabbatical subsidy equals the maximum unemployment benefit rate, which was DKK 136,500 a year in 1997.[6]

It is an open question whether the entire cost of educational leave should be included, since only 60% of the persons in question engage in some type of vocational training. However, the share is not exactly 60%, since the period for which people engage in educational leave varies significantly. A qualified guess would be that the cost of educational leave for people in vocational training programmes is less than 60% of the total sum, because vocational courses usually have a shorter duration than the various types of general adult education. In other words, the total cost of educational leave for the purpose of following some type of vocational training is somewhat below DKK 2,210 million.

Table 5.1: Estimate of direct costs for educational leave (million DKK, ECUs in brackets)

	1985	1990	1995	1996	Percent of GDP[2]	Per capita, DKK[3]
Educational leave[1]	0	0	2,175 (288.5)	2,210 (293.1)	0,22%	421 (55.8)
Index	-	-	100	102	-	421 (55.8)

1. Sources: Statsregnskab for finansårerne 1995 and 1996 § 17.47.08.
2. Danish GDP (bruttonationalprodukt i markedspriser) was DKK 1,014 billion (134.5) in 1996.
3. The Danish population was 5.251 million in 1996.

[4] Arbejdsmarkedsstyrelsens Årsberetning 1996, s. 19.

[5] Arbejdsmarkedsstyrelsens Årsberetning 1996, s. 20.

[6] Statsregnskab for finansåret 1996, Finansministeriet, § 17.47.08.

[7] Beretning om statslig erhvervsrettet efteruddannelse, De af Folketinget Valgte Statsrevisorer, 1997, s.36-37; Finanslov for finansåret 1997, Finansministeriet, §§ 17.32.01 og 17.47.08.

In addition, companies incur a number of direct costs if they chose to supplement the educational subsidy, which the employee receives from the state, so that the total compensation during the leave equals his or her original salary. There are no accounts of these expenses.

5.3.2 Indirect sources of funding

Finally, indirect costs should be considered. Persons leaving employment in favour of educational leave will typically receive a lower income. There are no statistics as to these costs. Those companies, which for a period lose a valuable worker, and must replace that person with a less experienced worker, may suffer a loss of productivity during the period in question. On the other hand, that company will receive a more skilled worker when the employee returns from the educational leave. There are no statistics as to these company costs and benefits.

5.3.3 Total levels of funding

The total levels of funding amounts to DKK 2,175 millions in 1995 and 2,210 millions in 1996 (estimated), plus the employer's and individuals direct and indirect costs.

5.4 Financing distribution mechanisms

The sabbatical subsidy provides economic compensation for educational leave for up to one year to the following groups:

- Employed persons.
- Private entrepreneurs.
- Unemployed persons over 25, who are entitled to unemployment benefits.

The leave scheme does not include long and medium-term types of higher education. As mentioned, the sabbatical subsidy equals the maximum unemployment benefit rate, which was DKK 136,500 a year in 1997 for full-time insured persons belonging to an unemployment benefit scheme.[7]

5.5 Overall conclusions

The only combined programme concerning vocational training is the educational leave programme, which was introduced in 1992. It is only possible to estimate the direct state expenses for that part of the educational leave, which is relevant to vocational training. In addition, employers and individuals occur some expenses.

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[7] Beretning om statslig erhvervsrettet efteruddannelse. De af Folketinget Valgte Statsrevisorer, 1997, s.36-37; Finanslov for finansåret 1997, Finansministeriet, §§ 17.32.01 og 17.47.08.

6. The Future of Financing of VET

This part presents the overall conclusions of this portrait. In addition, it will put forward a number of perspectives regarding future trends in funding levels, financing arrangements and planned training and labour market reforms.

6.1 Conclusions

This section provides a brief summary of the preceding parts of this Financial Portrait, and offers a number of summary tables and figures across different training types.

Table 6.1: Expenditure for vocational education and training in Denmark 1996, by sources of funding (million DKK, ECUs in brackets)

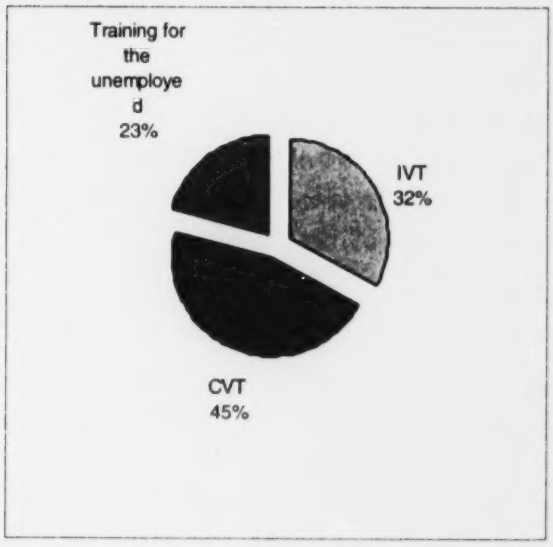
	IVT		CVT		Training for the unemployed	
	Expenditure	Percent	Expenditure	Percent	Expenditure	Percent
EU	4 (0.5)	0%	.[2]	0%	.[2]	0%
Central gvt.	5,278 (700)	59%	3,680 (488)	29%	5,607 (743.6)	88,5%
Regional gvt.	271 (35.9)	3%	-	-	-	-
Local gvt.					728 (96.5)	11,5%
Sectoral funds	-	-	-	-	-	-
Enterprises[1]	3,333 (442)	38%	8,849 (1,173.6)	71%	-	-
Individuals	-	-	-	-	-	-
Total	8,886 (1,178.5)	100%	12,529 (1,661.7)	100%	6335 (840.1)	100%

1. Includes both public and private work places as well as indirect sources.
2. Not possible to estimate.

The table above summarises funding levels by source, showing that the government is the main funder of IVT (62% in total), while public and private enterprises fund the largest share of CVT (71%). The central government and the local municipalities are the sole funders of training for the unemployed.

The figure below displays the relative distribution of the three VET areas. It is clear that the majority of spending – almost 50% – is constituted by CVT. However, in recent years, the funding level for training for the unemployed has increased significantly, and constituted one fifth of total VET funding in 1996.

Figure 6.1: Distribution of expenditure for VET in Denmark 1996



The table below shows a breakdown of total VET costs by training area, and by public and private funding. It shows that IVT spending as a whole amounts to 0.88% of Danish GDP, while CVT and training for the unemployed amount to 1.24% and 0.62% respectively. The entire VET sector total approximately DKK 27,75 billion annually, or 2.74% of GDP.

Table 6.2: Total cost of vocational education and training in Denmark 1996, by training area

	Million DKK (ECUs)	Percent	Percent of GDP	Per capita
IVT	8,886 (1,178.5)	32%	0.88%	1,693 (224.5)
Public[1]	5,553 (736.4)	-	0.57%	1,058 (140.3)
Private[2]	3,333 (442)	-	0.33%	635 (84.2)
CVT	12,529 (1,661.7)	45%	1.24%	2,386 (316.4)
Public[3]	3,680 (488)	-	0.36%	700 (92.8)
Private[4]	8,849 (1,173.6)	-	0.87%	1,686 (223.6)
Unemployed[1]	6,335 (840.1)	23%	0.62%	1,207 (159.4)
Total	27,750 (3,680)	100%	2,74%	5,286

1. Includes EU (ESF) funds.
2. Please note that this figure includes public employers' AER contribution. However, no distinction is made between the two sectors in the figures available. Although the majority of contributors are private, the figure is, in effect, somewhat too high.
3. Includes EU (ESF) funds.
4. Again, this figure includes spending by both public and private companies on CVT. However, no figures are available as to the division of these costs.

In addition to the expenditure shown in the table is the cost of combined programmes, which as discussed in part 5, is approximately DKK 2,210 million. However, due to the uncertainty connected with this figure, it has not been included in the table above. If funding for combined programmes is included, the total level of funding reaches approximately DKK 30 billion, or 3% of GDP in 1996.

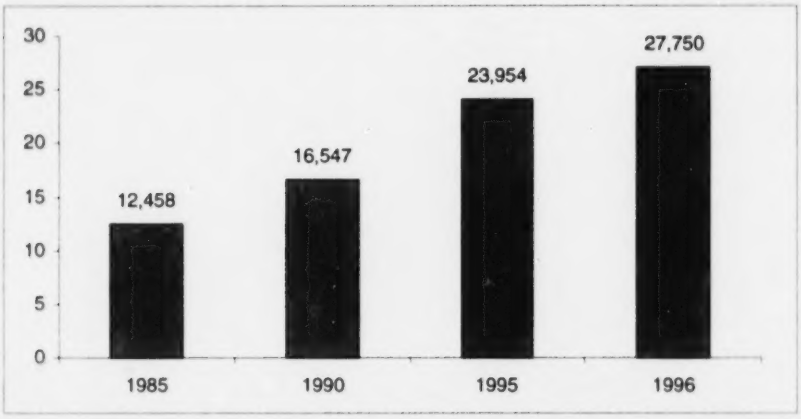
Below is shown the total VET funding levels in Denmark for the years 1985, 1990, 1995 and 1996:

Table 6.3: Development in total VET funding (DKK million, recurrent figures)

Area	1985	1990	1995	1996
IVT	3,391	3,744	8,079	8,886 (1,173.6)
CVT	6,845	8,785	11,931	12,529 (1,661.7)
Unemployed	2,222	4,018	3,944	6,335 (840.1)
Total	12,458	16,547	23,954	27,750 (3,680)
Index	100	133	192	223

The figure below illustrates this development.

Figure 6.2: Development in total levels of VET funding in Denmark (million DKK)



It is clear that there has been a significant increase in total VET spending in recent years. From a level of DKK 12,458 million in 1985 (current prices) the total level of VET spending in 1996 was more than DKK 27 billion. For the reasons mentioned above, combined programmes have not been included, but account for approximately DKK 2,2 billion.

The trend in total spending and perspectives for funding distribution is discussed in the section below.

6.2 Trends in funding level, distribution of funding and financing arrangements

The first section of this part showed that there has been a significant increase in VET spending in recent years. With regard to trends in the level and distribution of spending, the question remains as to how the future development might be. The following assessment builds on input from various VET actors.

IVT

With regard to the funding of IVT, there seems to be little doubt that the current arrangement, where the government is the main funder, and where enterprises contribute via the AER, will continue. The total IVT funding level might still rise, but probably at a lower rate than in recent years. The emphasis will be to a higher degree on quality development, as shown above. This has to do with an increasing focus on quality in the educational system, which has been raised by a number of international comparisons and studies.

CVT

In the CVT area, the total level of funding is likely to continue to rise, since it is central to Danish labour market policy that a wide array of opportunities for increasing vocational qualifications should always be available to enterprises and to the individual. However, public spending on CVT might rise at a lower rate than private spending. Recent statements by the government point to several adjustments of the AMU system which will significantly increase the financial burden on private enterprises and individuals. Tuition fees will probably be raised, especially for short-term AMU programmes, so that they increasingly reflect the actual cost of courses. This development will reflect the principle that the further an educational programme is from the basic vocational training system (in terms of its direct application to a vocation), the more costly it will be for the user. Thus, AMU courses focusing on personal development and soft skills will have a higher price tag.

Training for the unemployed

With regard to training for the unemployed, part 4 showed that the increased emphasis on activation has led to significantly higher levels of spending on training. However, as the unemployment rate continues to drop, the growth in spending on training for the unemployed should diminish. Nonetheless, recent signals from the government indicate that groups which are currently marginalised in the labour market (e.g. ethnic minorities) or which are not part of the labour force (such as persons on early retirement) should be integrated. Some of these groups probably require significant training if they are to be of value in today's labour market. This could lead to an upward pressure in training costs.

The taximeter system

After the introduction of several reforms to the financing arrangements to the VET sector in recent years, the government has now indicated that there will be a pause in reforms. It seems clear that there will be no further introduction of the taximeter system to additional educational areas. This is most likely due to the fact that the taximeter system is already very widely used, and that it is now time to evaluate recent years' experience with the system and its incentives effects on the training providers side.

6.3 Future changes and debates

This section will conclude the financial portrait by outlining some current plans and perspectives for changes within the VET area.

In its March 1998 political statement, the re-elected Social Democrat coalition government stated what the VET area would be focused upon in the immediate future with regard to a number of initiatives. Key focal points in this regard are:

- Simplification.
- Increased co-ordination between training areas.

The government initiatives are still being formulated, and are therefore not very detailed. Thus, while the discussion below will consider those issues mentioned by the government, it will also build on an assessment of their possible content. This assessment is based on the input received from relevant VET actors, in particular the social partners.

The discussion below is structured in relation to the main training areas.

VET

- Quality development. Increased emphasis on quality in basic vocational training and on the training-related linkages between IVT and CVT.
- Simplification. Within IVT, this key phrase primarily refers to further simplification and reduction in the number of courses offered at the technical colleges.
- An evaluation of the Free Youth Education (FUU), in particular in order to establish whether the education reaches the intended target groups.

CVT

- Significant simplification and harmonisation. Firstly, this may be done by developing one single legislative Act for the entire area. Secondly, simplification might lead to harmonisation of the different government subsidy schemes, which currently exist for individuals engaged in various types of CVT. The aim would be to have one subsidy system only.
- Increased coordination: This refers to the need for better coordination with the IVT area, as mentioned above. The transfer of the entire CVT area to the Ministry of Education has often been discussed, in order to ensure optimal linkage between IVT and CVT. However, even though this solution was seriously considered after the 1998 parliamentary elections, the two areas remain in separate ministries. Therefore, other solutions must be found, probably by establishing an increased and more formalised level of cooperation between the Ministry of Education and the Ministry of Labour.

Training for the unemployed

- The introduction of activation measures and the provision of continuing education for the oldest groups of unemployed. A reform of social policy legislation is expected to be introduced on July 1st 1998. The reform means that people up to 30 years of age (previously 25) will be targeted by local municipalities in their activation effort.

7. Annex 1: Legal provisions

7.1 Regulatory legislation

Law	Year	Source	Area	Summary
Law on Vocational Education (Lov om erhvervsuddannelser, EUD)	1989	Ministry of Education	IVT	IVT reform. Simplification through reduction of number of educational programmes. Introduction of a demand-oriented system through the taximeter financing system
Act on Vocational Colleges (Lov om erhvervsskoler)	1989	Ministry of Education	IVT	IVT reform. Decentralisation of authority to individual colleges in order to increase their financial efficiency and sensitivity to local demands
Labour market training Act (Lov om arbejds-markeds-uddannelser)	1993 revised 1997	Ministry of Labour	CVT	CVT reform. Decentralisation and introduction of a more demand-oriented AMU system through the introduction of the taximeter system of financing
Law on an Active Labour Market Policy (Lov om en aktiv arbejds-markedspolitik)	1993	Ministry of Labour	Training for the unemployed	Reform of the policy towards unemployed through an increased emphasis on qualifying educational initiatives. Introduction of individual action plans in order to ensure a quick return to the labour market
The Act on the Collective Employer Fund (Lov om arbejdsgivernes elevrefusion, AER)	1977 revised 1996	Ministry of Education	IVT	The Act specifies the organisation of mandatory payments by all employers to a collective fund which partly finances IVT. The aim is to ensure that employers actively contribute to the funding of IVT. In addition, the Act ensures that employers have an incentive to provide apprenticeships (since they already contribute to IVT funding).
Act on Labour Market Funds (Lov om arbejdsmarkedsfonde)	1995	Ministry of Taxation	Training for the unemployed	This law determines the levy of the "gross tax" - currently (1998) 8 percent. The tax is levied generally on all employed persons, partly in order to highlight the public contribution to labour market training and the public effort against unemployment. The law describes the allocation of the gross tax income to the three labour market funds. The Activation Fund provides state financing for the active labour market policy, labour market training, other training activities and training leave.

Act on municipal activation (lov om kommunal aktivering)	1996	Ministry of Social Affairs	Training for the unemployed	The law specifies the financial burden-sharing between state and local municipalities in the effort to implement the active labour market policy. The state contributes with 50% of the financing of the activation offers, within a specified limit.
Act on basic social and health care training (Lov om grundlæggende social- og sundhedsuddannelser)	1996	Ministry of Education	IVT	The law describes how the main financing of this area lies with the regional councils (amter).

7.2 Enabling legislation

Law	Year	Source	Area	Summary
The State Tax Law (Statsskattelovgivningen)	199?	Ministry of Taxation	CVT	Paragraph 6a of the State Tax Law enables employers to tax-deduct training expenses. This provides an incentive for private and public employers to offer various types of externally purchased continuing training to their employees.
Law on Leave (Lov om Orlov)	1995	Ministry of Labour	Combined Training Programme	The law specifies the rights to various types of leave, the rules for receiving subsidies for leave, and the levels of those subsidies. The purpose of the law is to provide employed persons with the opportunity to take a period of educational, sabbatical or child care leave.

8. Annex 2: Glossary of acronyms, abbreviations and terms

AER The Collective Employer Fund (Arbejdsgivernes Elevrefusion)

AF Public employment service (Arbejdsformidlingen)

AMS Danish Labour Market Authority (Arbejdsmarkedssty-relsen)

AMU Labour market training courses (Arbejdsmarkedsud-dannelser)

CEO Chief Executive Officer (Administrerende direktør)

DA Danish Employer's Confederation (Dansk Arbejdsgiverforening)

DI The Confederation of Danish Industry (Dansk Industri)

CVT Continuing vocational training

EGU Basic vocational training (Erhvervsfaglig Grunduddannelse)

ESF European Social Fund (Den Europæiske Socialfond)

EU The European Union (den Europæiske Union)

EUR The Council for Vocational Training (Erhvervsuddannelsesrådet)

EUD Vocational training (youth training) (Erhvervsuddannelse)

FUU The free youth education (Den frie ungdomsuddannelse)

IVT Initial vocational training

LAR National Employment Council (Landsarbejdsråd)

LO The Danish Confederation of Trade Unions (Landsorganisationen i Danmark)

RAR Regional Labour Market Council (Regionalt Ar-bejdsmarkedsråd)

SME Small- and Medium sized Enterprise (Små- og Mel-lemstore Virksomheder)

SOSU Basic social and health care training (Social- og sundhedsuddannelserne)

SU State educational grant (Statens Uddannelsesstøtte)

VEUD Adult vocational training (Voksenerhvervsuddannelse)

VUS Educational support for adults (Voksenuddannelsesstøtte)

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The financing of vocational education and training in Denmark

Financing portrait

In recent years, there has been increased focus on vocational education and training (VET) in Denmark, not least due to falling unemployment rates and the need for the Danish labour force to obtain further qualifications. Thus, it has become highly important to document how the area is financed, and to chart the overall developement in VET expenditure.

This publication charts and analyses VET funding in Denmark. It describes the administrative organisation of VET, the levels of expenditure for individual training areas, outlines the legislative framework, and discusses recent developments. The analysis constitutes the Danish contribution to CEDEFOP's series of VET financial portraits for EU Member States.

Martin Eggert Hansen

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